

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	Civil Action No. 99-CV-2496 (GK)
v.)	
)	Next Court Appearance:
PHILIP MORRIS USA INC. (f/k/a)	Trial (Ongoing)
PHILIP MORRIS INCORPORATED), <u>et</u>)	
<u>al.</u> ,)	
)	
Defendants.)	

WRITTEN DIRECT TESTIMONY

OF

HOWARD A. WILLARD III

Submitted by Joint Defendants Pursuant to Order #471

Table of Contents

	<u>Page</u>
I. INTRODUCTION	1
A. Overview of Position at Philip Morris USA	1
B. Personal Background and Professional History	2
C. Employment at Philip Morris USA	3
D. YSP Responsibilities	5
II. YOUTH SMOKING PREVENTION	7
A. Introduction	7
B. YSP Budget	8
C. Philip Morris USA YSP Strategy	9
D. Grants to Organizations Advancing Positive Youth Development	10
E. YSP Communications	25
F. Responsible Retailing	62
G. Research	70
H. Criticism of PM USA YSP Program	81
I. Wrap-Up Questions - Youth Smoking Prevention	95
III. CESSATION SUPPORT INITIATIVE	96

1 I. INTRODUCTION

2 A. Overview of Position at Philip Morris USA

3 Q: Please state your name.

4 A. Howard A. Willard III.

5 Q: By whom are you currently employed?

6 A. Philip Morris USA Inc. ("Philip Morris USA")

7 Q: What is your current position and title at Philip Morris USA?

8 A. Senior Vice President, Youth Smoking Prevention and Corporate Responsibility.

9 Q: And to whom do you report?

10 A. Mike Szymanczyk, Chairman and CEO of Philip Morris USA.

11 Q: Can you please generally describe your duties and responsibilities as Senior Vice

12 President, Youth Smoking Prevention and Corporate Responsibility?

13 A. I am responsible for several of the company's corporate responsibility initiatives. These

14 include youth smoking prevention and cessation support.

15 Q: As a Senior Vice President, do you have any involvement in decisions concerning

16 how Philip Morris USA conducts its business?

17 A. Yes. I am a member of what is called the Senior Team, which has a great deal of input

18 into how Philip Morris USA's business is run.

19 Q: In what way does the Senior Team have input into the business decisions at Philip

20 Morris USA?

21 A. We meet regularly to discuss the issues facing our business, and we make

22 recommendations for how Philip Morris USA should conduct its business.

23 Q: How long have you been a member of the Senior Team?

24 A. Since 2000.

1 Q: What are the areas you will be discussing today?

2 A. Today I will be discussing the efforts in my department with regard to youth smoking
3 prevention and smoking cessation.

4 B. Personal Background and Professional History

5 Q: What is your educational background?

6 A. I went to a public high school in Connecticut. I graduated from Colgate University in
7 1985 with a B.A. in Computer Science and Economics. In 1989, I received a Masters of
8 Business Administration from the University of Chicago.

9 Q: Sir, would you please tell the Court about your job history before Philip Morris
10 USA?

11 A. From 1985 to 1987, I worked as a financial analyst in the Communications and
12 Technology Group at Salomon Brothers in New York. From June 1989 to November 1992, I
13 served as a Consultant and Manager at Bain & Company.

14 Q: What were your job responsibilities at Salomon Brothers?

15 A. I was a financial analyst. I developed financial analyses for mergers and acquisitions and
16 securities offerings.

17 Q: What is Bain & Company?

18 A. It is a consulting firm.

19 Q: What were your basic job responsibilities at Bain & Company?

20 A. I provided business advisory services to a variety of the firm's clients. I started
21 consulting for Philip Morris USA, one of the firm's clients, in 1991.

22 Q: Can you please describe your consulting work for Philip Morris USA while
23 employed at Bain & Company?

1 A. I consulted for the Philip Morris USA Sales Department regarding its retail trade
2 program. I also worked on a consulting project for the Philip Morris USA Finance Department,
3 advising it on how to improve its support services for the Sales Department.

4 C. Employment at Philip Morris USA

5 Q: When did you join Philip Morris USA?

6 A. November 1992.

7 Q: How did it come about that you joined Philip Morris USA?

8 A. The company's Chief Financial Officer, Harry Steele, offered me a job after I worked
9 with him on the Finance Department consulting project I just described.

10 Q: Why did you decide to join Philip Morris USA?

11 A. As a consultant, I had the opportunity to work with many different companies. Based on
12 my experience with Philip Morris USA, I found both the company and the industry to be very
13 interesting. I was impressed with Philip Morris USA's talented management team. I also very
14 much liked the Philip Morris USA employees I had worked with at the company as a consultant.
15 It was a challenging and attractive opportunity.

16 Q: Can you list some of the jobs you held over the years at Philip Morris USA?

17 A. From 1992 to 1994, I was the Assistant Controller for the Sales Department. From 1994
18 to 1996, I was the Region Vice President of Sales for the Midwest Region. Thereafter, from
19 1996 to 1998, I was Region Vice President of Sales for the West Region. From 1998 to 2000, I
20 was the Vice President of Information Services, and from 2000 to 2001, the Group Vice
21 President of Information Services and E-Business. From 2001-2002, I was the Senior Vice
22 President of Quality and Compliance.

1 In March 2002, I became Senior Vice President, Youth Smoking Prevention. That title
2 changed in April of 2004, when I became Senior Vice President, Youth Smoking Prevention
3 ("YSP") and Corporate Responsibility.

4 Q: Mr. Willard, you stated that in April of 2004, your title changed from Senior Vice
5 President, YSP, to Senior Vice President, YSP and Corporate Responsibility. Can you
6 describe how that came about?

7 A. Starting in February 2002, my responsibilities as Senior Vice President of YSP were to
8 lead YSP's actions with respect to grants to positive youth development programs, youth
9 smoking prevention communications, responsible retailing initiatives, and youth smoking
10 prevention research. Over time, my responsibilities grew. In April 2003, I assumed additional
11 responsibilities, including our work in the area of cessation support and later our work in
12 corporate responsibility communications. In April 2004, a group called corporate responsibility
13 planning and programs was brought into my department. At that time we decided to modify the
14 name of the department to more accurately describe the range of activities with which we were
15 involved, and as a result my title changed as well.

16 Q: Mr. Willard, can you please describe for the Court your current compensation
17 package?

18 A. In 2004, my base salary was \$338,900. I also received an incentive compensation award
19 of \$300,000, plus an award of 6,500 shares of restricted stock of Altria Group valued at
20 \$360,214. This stock will vest in three years, which means that if I leave the company before
21 that time I forfeit the award. As a Senior Vice President, I am also entitled to receive a long-
22 term incentive award, which is awarded and paid every three years. My last such award was in
23 2004, covering the previous three years in the amount of \$455,954, and I am next eligible to

1 receive an award in 2007. In addition, all employees are eligible to participate in tax qualified
2 and nonqualified defined contribution plans, which are similar to 401k plans, to which Philip
3 Morris USA contributes 15% of an employee's base salary. In 2004, Philip Morris USA
4 contributed \$50,835 to my plans. In addition, I receive a package of benefits such as medical
5 and dental insurance, vacation, and car allowance.

6 Q: Do you have an employment contract?

7 A. No, I am an employee at will and I can be terminated at any time. My incentive
8 compensation and stock awards are all discretionary.

9 Q: How do the goals of your department fit into the Company's Mission?

10 A. Our Mission requires us to achieve alignment with society's expectations of a responsible
11 tobacco company. To that end, our Mission specifies a variety of particular goals, including the
12 two I will talk about today: Helping to prevent youth smoking and supporting smokers who have
13 decided to quit.

14 Q: How important is that Mission to the Company?

15 A. It is essential. Mike Szymanczyk personally crafted the Mission, which was published in
16 1998, and he has been personally and directly involved in the modifications that have been made
17 periodically to it over time. Our Mission and Values guide our work every day.

18 D. YSP Responsibilities

19 Q: What is your role with regard to YSP?

20 A. I lead a department whose work includes a range of efforts designed to fulfill the
21 company's goal of helping to prevent youth smoking. Today these efforts include our parent
22 communications campaign, our grants to positive youth development organizations, our
23 involvement in responsible retailing programs, and youth smoking prevention research.

1 Q: Who offered you the job as Senior Vice President, Youth Smoking Prevention, in
2 2002?

3 A. Philip Morris USA's Chairman and CEO, Mike Szymanczyk.

4 Q: Why did you feel qualified to take this job?

5 A. Although I was not an expert in youth smoking prevention, when Mike offered me the
6 position, I was an experienced leader in the company and had a track record of quickly learning
7 new jobs and new areas of responsibility. I was impressed by the company's commitment to
8 YSP and was personally interested in the topic. I knew it would be a challenging assignment,
9 but I had the confidence to take it on.

10 Q: Did you have any interaction with YSP before joining the group?

11 A. To some extent, yes. As a member of the Senior Team, I participated regularly in
12 discussions led by Carolyn Levy, former head of the department, regarding YSP efforts. I often
13 provided input on those efforts during these meetings.

14 Q: Why not put someone with experience in YSP in this position?

15 A. Youth smoking prevention expertise is certainly important to our efforts. Our approach
16 to this issue, however, has been both to build that expertise internally over time, and also to bring
17 that expertise into our work through partnerships with external experts in the field. So, for
18 example, we have partnered over the years with Larry Kutner, who is the co-director of the
19 Center for Mental Health and Media at Harvard Medical School and a noted author on child
20 development and child behavior. He has been an important partner with us on our parent
21 communications.

22 I am also proud to say that over time the people who have worked in YSP have
23 developed a great deal of experience in the field – not only from working with our external YSP

1 partners, but also from the work we do every day to help prevent youth smoking. I think my
2 predecessor, Carolyn Levy, is an excellent example. She was very accomplished as a scientist
3 and businessperson before leading YSP, and she quickly gained expertise in the field soon after
4 she helped form the organization.

5 I also believe that one of the most important qualifications for leading the YSP
6 organization is to be an experienced leader who can help ensure that the organization is working
7 effectively to achieve its goals. I do think I brought those leadership skills to the job.

8 II. YOUTH SMOKING PREVENTION

9 A. Introduction

10 Q: How many people in your department currently work on youth smoking
11 prevention?

12 A. About 17.

13 Q: Can you briefly describe the current organization of the people who work on youth
14 smoking prevention?

15 A. Lisa Pulsifer is the Senior Director of the YSP Programs and Planning Group. She has
16 nine people dedicated to the YSP efforts in her area. Ed Largo is the Director of our Research
17 Group, and he has about four people in that group who support YSP efforts. Jennifer Hunter,
18 who is the Senior Director of Corporate Responsibility Communications and Cessation Support,
19 has a Manager and three other employees who are responsible for the YSP parent
20 communications campaign. And of course, all of these folks are supported by a larger number of
21 people from outside business partners and advisors – including advisory board members,
22 researchers, ad agencies, and so on – who work on our YSP efforts.

23 Q: What is the goal of Philip Morris USA's YSP efforts?

1 A. Our goal is to help prevent youth smoking.

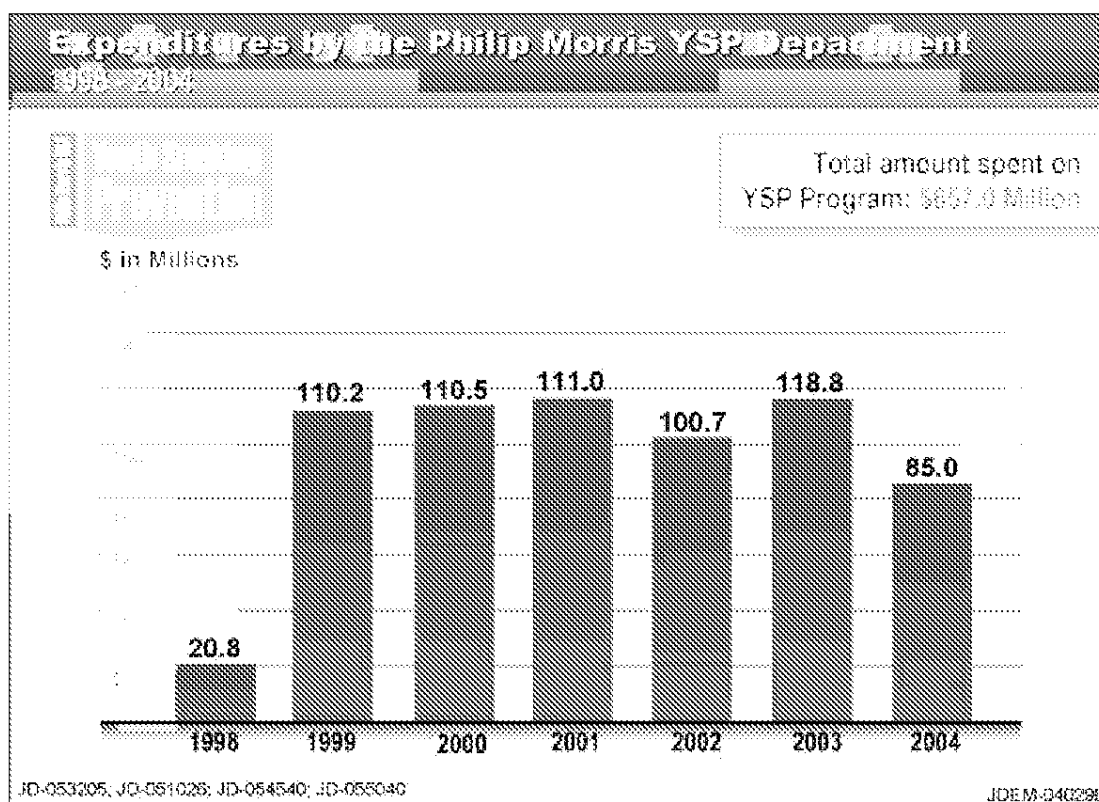
2 Q: Can you please give the Court a short overview of what YSP has done in the past six
3 years?

4 A. In 1998, Mike Szymanczyk formed a Youth Smoking Prevention department that was
5 headed by a Senior Vice President who reported to him as CEO of Philip Morris USA. Since
6 that time, our YSP activities have encompassed a range of efforts, including grants to fund youth
7 smoking prevention and positive youth development programs; communications designed to
8 encourage kids not to smoke; communications encouraging parents to talk to their kids about not
9 smoking; support for responsible retailing initiatives to help prevent youth access to tobacco
10 products; and research to support our youth smoking prevention programs and to keep the
11 department abreast of the latest developments in the field of youth smoking prevention.

12 B. YSP Budget

13 Q: Sir, I'm showing you JDEM-040298. What is this document?

14 A. It is a chart reflecting the annual expenditures by YSP from 1998 through 2004. The
15 chart is based on information in the books and records of the company, which were created and
16 maintained in the ordinary course of Philip Morris USA's business.



Q: Mr. Willard, can you briefly describe for the Court the budget for YSP over the past six years?

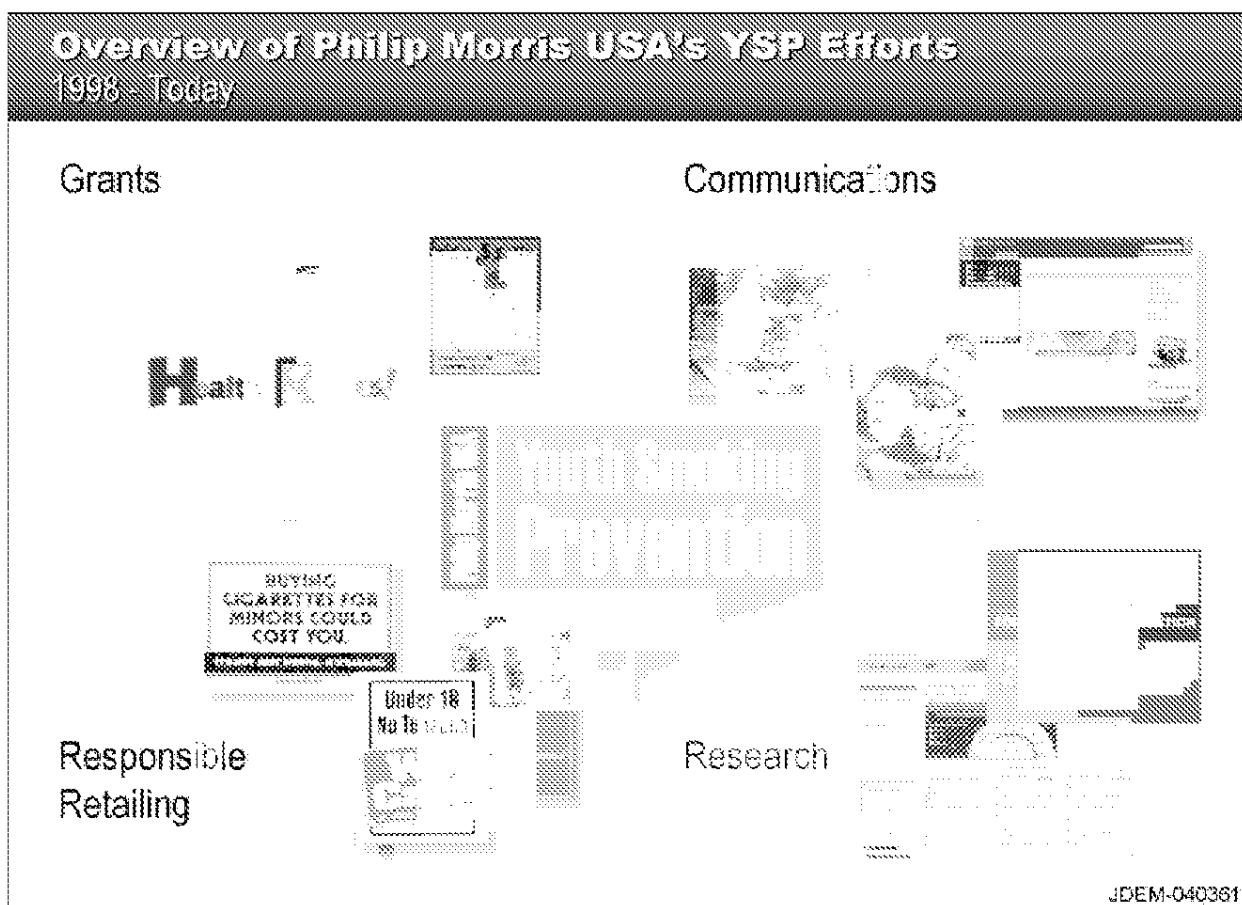
A. Our budget has fluctuated somewhat from year to year, but on average, we have spent \$100 million a year over the last six years in the department. The expenditures from 1998 through 2004 total \$657 million.

C. Philip Morris USA YSP Strategy

Q: Mr. Willard, what is JDEM-040361?

A. It is a chart describing the four main areas of focus for YSP. First, we provide grants to support youth smoking prevention and positive youth development programs. Second, we have communications directed to parents and other adult influencers to help and encourage them to talk to kids about not smoking. Third, we have developed responsible retailing programs to help prevent youth access to cigarettes. And fourth, we undertake research to help us understand the

- 1 latest developments in youth smoking prevention and what programs and communications may
2 work best to help prevent youth smoking.



3
4
5 D. Grants to Organizations Advancing Positive Youth Development

6 1. Philip Morris USA YSP Grant Strategy

7 Q: Mr. Willard, let's turn to Grants, the first area of YSP's focus described on JDEM-
8 040361. Would you please tell the Court about Philip Morris USA's YSP grant strategy?

9 A. Our grant strategy is focused on positive youth development. We provide grants to
10 organizations that have or want to build classroom-based or after-school positive youth
11 development programs. We also provide grants to help build capacity for organizations involved

1 in positive youth development, and to otherwise help advance the positive youth development
2 field.

3 Q: Why did Philip Morris USA choose this strategy of focusing on positive youth
4 development programs?

5 A. We chose this strategy based on our review of the academic literature. There is an
6 extensive and growing body of peer reviewed research supporting the proposition that programs
7 that deal with the whole child – programs that both bolster positive influences and reduce
8 negative influences – can make a big difference in producing good behavioral outcomes for kids.

9 A 1998 article by Dr. Jeanne Brooks-Gunn and Dr. Jodie L. Roth, which is a typical example of
10 such research, stated that positive youth development programs can help “prepare adolescents for
11 productive adulthood by providing opportunities and supports to help them gain the
12 competencies and knowledge needed to meet the increasing challenges they will face as they
13 mature.” J. Roth and J. Brooks-Gunn, *Promoting healthy adolescents: Synthesis of youth
14 development program evaluation*, Journal of Research on Adolescents, 8:423-459 (1998). Dr.
15 Brooks-Gunn is the co-director of the Columbia University's National Center for Children and
16 Families, which advances the policy, education, and development of children and their families.

17 A study by the Social Development Research Group ("SDRG") at the University of
18 Washington evaluated positive youth development programs under a grant from the U.S.
19 Department of Health and Human Services and made similar findings:

20 Youth development practitioners, the policy community, and
21 prevention scientists have reached the same conclusions about
22 promoting better outcomes for youth. They call for expanding
23 programs beyond single-problem-behavior focus and for
24 considering program effects on a range of positive and problem
25 behaviors. R. Catalano, M. L. Berglund, et al., *Positive Youth
26 Development in the United States: Research Findings on
27 Evaluations of Positive Youth Development Programs*, U.S.

1 Department of Health and Human Services, available at
2 <http://aspe.hhs.gov/hsp/PositiveYouthDev99/> (1998).

3 Q: What does this research suggest about the effectiveness of positive youth
4 development programs in preventing youth smoking in particular?

5 A. Research says that positive youth development programs are effective in helping prevent
6 risky behaviors, including smoking. For example, a report by the National Institute of Drug
7 Abuse in 1997 commented that the Life Skills Training program – a positive youth development
8 program I will talk about in more detail later – “has been extensively tested over the past 20
9 years and found to reduce the prevalence of tobacco, alcohol, and illicit drug use relative to
10 controls by 50 to 87 percent.” *National Institute on Drug Abuse. 1997. Preventing Drug Use*
11 *Among Children and Adolescents—A Research-Based Guide. Rockville, MD: National Institutes*
12 *of Health, National Institute on Drug Abuse.*

13 In addition, the SDRG evaluation of positive youth development programs I just cited
14 stated:

15 This study concluded that a wide range of positive youth
16 development approaches can result in positive youth behavior
17 outcomes and the prevention of youth problem behaviors. Nineteen
18 effective programs showed positive changes in youth behavior,
19 including significant improvements in interpersonal skills, quality
20 of peer and adult relationships, self-control, problem solving,
21 cognitive competencies, self-efficacy, commitment to schooling,
22 and academic achievement. Twenty-four effective programs
23 showed significant improvements in problem behaviors, including
24 drug and alcohol use, school misbehavior, aggressive behavior,
25 violence, truancy, high risk sexual behavior, *and smoking.*” R.
26 Catalano, M. L. Berglund, et al., *Positive Youth Development in*
27 *the United States: Research Findings on Evaluations of Positive*
28 *Youth Development Programs*, U.S. Department of Health and
29 Human Services, at *Executive Summary--Conclusions* available at
30 <http://aspe.hhs.gov/hsp/PositiveYouthDev99/> (1998) (emphasis
31 supplied).

32 These are just two examples; other research supports this conclusion as well.

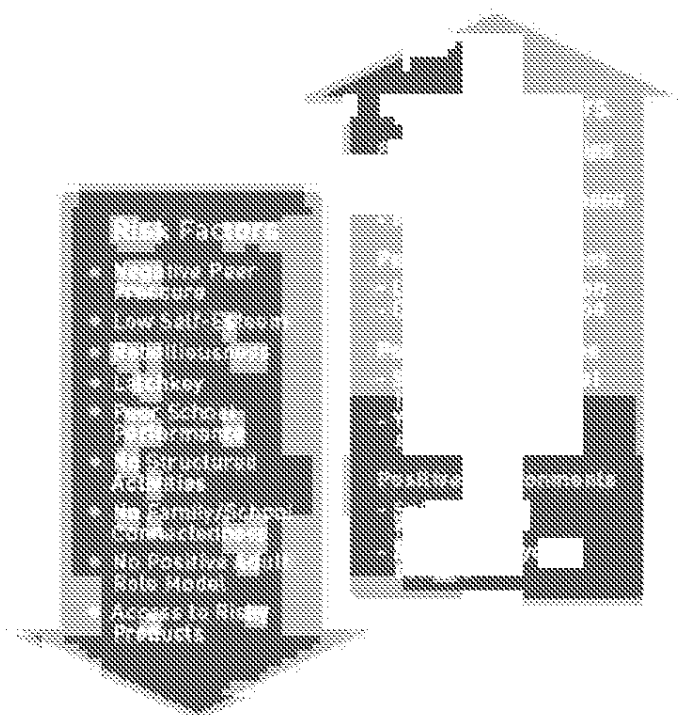
1 Q: What does "positive youth development" mean?

2 A. Positive youth development is premised on the idea that if you surround kids with
3 positive influences, such as parents, mentors, and productive activities, and help them avoid or
4 resist negative influences, they will then have better outcomes in a number of different areas,
5 including a reduction in risky behaviors, such as smoking. Positive youth development provides
6 a foundation for developing and shaping attitudes, behaviors and skills that enable children to
7 become socially, emotionally, and physically competent and successful. As one study described
8 it, positive youth development programs "seek to enhance not only adolescents' skills but also
9 their confidence in themselves and their futures, their character, and their connections to other
10 people and institutions by creating environments, both at and away from the programs, where
11 youth can feel supported and empowered." (Roth and Brooks-Gunn, 2003).

12 Q: Mr. Willard, please describe for the court JDEM 040200, which lists risk factors
13 and protective factors for risky behaviors in adolescents?

14 A. As I noted, YSP commits significant efforts and resources to support programs that foster
15 positive youth development in young people. These initiatives build protective factors into kids'
16 lives, such as positive adult relationships and access to structured after-school activities. These
17 programs also address risk factors that contribute to youth smoking and other risky behaviors by
18 minimizing kids' exposure to negative peer pressure and unsupervised time away from school.

Risk Factors and Protective Factors



Source: JD-055059

JD-040372

Q: What role did Philip Morris USA decide to play in the area of positive youth development?

A. There are many government and non-government organizations that are focused on and committed to developing and implementing positive youth development programs. These programs should be an important element of the overall effort in society to reduce youth smoking in the United States. We think our role should be to provide financial support to these organizations through our grant-making activities, and to provide other grants to advance the field of positive youth development.

Q: What types of organizations and programs does YSP fund?

1 A. In 2004, Philip Morris USA gave grants to 43 organizations to support life skills
2 education programs, sports and physical fitness activities, mentoring relationships, youth
3 smoking prevention and youth smoking cessation programs, reaching approximately 880,000
4 kids. Our goal is to select organizations that have demonstrated success in implementing and
5 executing positive youth development programs. We also try to work with leading youth serving
6 organizations that reach a broad spectrum of kids across the country. Our support spans both in-
7 school and after-school programs. For example, we support in-school programs such as Life
8 Skills Training, which has been recommended as an effective program by six federal agencies.
9 We also support established after-school programs offered through organizations such as Boys
10 and Girls Clubs, Big Brothers Big Sisters of America ("Big Brothers Big Sisters"), and the
11 National 4-H Council ("4-H").

12 Q: What level of support has Philip Morris USA provided to such organizations and
13 programs?

14 A: Since 1999, YSP has provided over \$125 million in grants to schools and youth
15 serving organizations to support youth smoking prevention and positive youth development
16 programs.

17 Q: Mr. Willard, can you tell me more about the major programs and grantees that you
18 supported in 2004?

19 A: Yes, the following list includes the ten organizations and/or programs that received the
20 most support from Philip Morris USA YSP:

21 Boys and Girls Clubs: \$8.2 million

22 Big Brothers Big Sisters of America: \$3.7 million

23 Life Skills Training: \$3.6 million

- 1 National 4-H Council: \$1.2 million
- 2 Women's Sports Foundation: \$0.8 million
- 3 The Caron Foundation: \$0.8 million
- 4 National Conference of State Legislatures Children and Families Program: \$0.7 million
- 5 YMCA of Greater New York: \$0.6 million
- 6 Innovation Center: \$0.4 million
- 7 NYU Child Study Center: \$0.4 million

8 a. Life Skills Training

9 Q: What is Life Skills Training all about?

10 A. It is a curriculum designed by Professor Gilbert Botvin of Cornell University for middle
11 school students designed to help kids build the skills to make the right choices in their lives,
12 including avoiding risky behaviors like smoking. The curriculum is designed as a three-year
13 program targeted to start in the 6th grade and it is taught in schools by teachers. One year builds
14 on the next, so that over the course of a three-year period, kids really develop the skills to deal
15 with life choices -- not only about smoking, but also about alcohol, drugs, and other risky
16 behaviors. The curriculum helps middle school students resist peer pressure to smoke, drink
17 alcohol and use drugs; develop greater self-esteem and self-confidence; cope with stress and
18 anxiety; and understand the health effects of smoking and using drugs. The goal is to teach kids
19 to make better choices in their lives so they are less likely to succumb to peer pressure and to
20 engage in risky behaviors. Our grants provide schools the funding to train their teachers and to
21 purchase the materials for teachers and students.

22 Q: Why did Philip Morris USA decide to support the Life Skills Training Program?

1 A. First, at the time we decided to financially support Life Skills Training, it was one of only
2 two programs identified by the Center for Disease Control and Prevention ("CDC") as proven
3 effective to reduce smoking. It continues to be recommended by the CDC.

4 Second, even though it was one of only two programs recommended by the CDC as
5 proven effective, it was not being used in very many schools because the funding was not
6 available.

7 Q: How has Philip Morris USA YSP supported Life Skills Training?

8 A. From 1999 through 2004, we have provided \$26 million in grants to school districts in 23
9 states to help fund the program in middle schools. As a result of these grants, approximately
10 635,000 middle school students have received Life Skills Training in the classroom since 1999.

11 Q: How do you know this program works?

12 A. A number of studies have been published confirming the effectiveness of Life Skills
13 Training in reducing risky behaviors, including smoking. The CDC has evaluated Life Skills
14 Training and has found it to be effective and useful.

15 Q: Did the CDC publish a report on the program?

16 A. Yes.

17 Q: Sir, is JD- 040614 the CDC's report on the Life Skills Training Program?

18 A. Yes it is.

19 Q: Q. Did you review this report in the course of your employment as head of the
20 Philip Morris USA YSP?

21 A. Yes. I did.

22 Q: What did this report find?

1 A. The CDC states that Life Skills Training can reduce tobacco use by up to 87 percent and
2 the use of alcohol and drugs by up to 80 percent.

3 Q: Do other federal government organizations express any views about Life Skills
4 Training?

5 A. Yes. In fact, a number of federal agencies have recognized Life Skills Training as a good
6 program. For example, SAMHSA, the Substance Abuse and Mental Health Services
7 Administration states that Life Skills Training reduces tobacco use by 50% to 75% and pack a
8 day smoking by 25% up to six years after the program is taken. SAMHSA also reports that Life
9 Skills Training has been recognized by six federal agencies as a Model Program or the
10 equivalent. (JD-054525).

11 Q: Does Philip Morris USA in any way control the content of the Life Skills Training
12 curriculum?

13 A. No, not at all. What we do is simply provide the funding to schools to bring the
14 curriculum into the classroom.

15 Q: Do the children receiving the Life Skills Training know that they're getting the
16 program because tobacco companies have funded it?

17 A. No.

18 b. National 4-H Council "Health Rocks!" Program

19 Q: You also mentioned the National 4-H Council, what is that?

20 A. 4-H the one of the largest national youth serving organization in the country, is
21 administered by the United States Department of Agriculture.

22 Q: Why did you decide to support 4-H?

1 A. In 1999, we began funding 4-H's development of a nationwide after-school life skills
2 training curriculum with an emphasis on youth smoking prevention, called "Health Rocks!".
3 Given the broad reach and demonstrated long-term success of 4-H, we thought it was an
4 important organization to engage in our efforts to help prevent youth smoking.

5 Q: Can you please tell us some more about the 4-H program?

6 A. Developed with the assistance of an advisory board, "Health Rocks!" is an after school
7 program for 8 to 12 year olds that teaches kids how to avoid risky behavior, including smoking.
8 This is a prevention program built upon the strong foundations of life skills development and
9 decision-making that makes kids more resistant to smoking and substance abuse.

10 Q: How is YSP helping the "Health Rocks!" program?

11 A. Since 1999, YSP has provided 4-H \$9.6 million to support "Health Rocks!".

12 Q: Does Philip Morris USA have any control over the content of the 4H program?

13 A. No, the 4-H organization controls the content of the program.

14 Q: Mr. Willard, please look at JD-053418 and describe for the Court what it is, if you
15 know?

16 A. It is a true and accurate copy of the curriculum guide for the "Health Rocks!" program,
17 which Philip Morris USA received in the ordinary course of business from 4-H that I have
18 reviewed in the course of my employment at Philip Morris USA. There are six chapters in this
19 curriculum each of which addresses different life skills relative to drug, alcohol, or tobacco use.
20 There also is a Community Action Guide published by the National 4-H Council to assist in
21 bringing together individuals and groups to implement and support programs designed to make a
22 positive impact on the community. The leaders' guide states up front at page PM-3000175037
23 that the program was developed independently from Philip Morris USA by a national design

1 team representing prevention specialists, extension and community educators, youth activists,
2 and evaluation specialists.

3 Q: Did Philip Morris USA receive JD-053418 in the ordinary course of business from 4-
4 H?

5 A. Yes.

6 c. Other Grantees

7 Q: You mentioned Boys & Girls Clubs. Can you tell me a little about your work with
8 Boys & Girls Clubs?

9 A. In 2004, YSP provided grants to 14 state/local Boys & Girls Clubs, which in turn reach
10 over 450 local Boys & Girls Clubs across the country. Our support primarily funds the SMART
11 Moves program, which is similar to Life Skills Training, except that it starts at 6 years old and
12 continues to 17 years old. It focuses on things like decision-making, peer pressure, self-image,
13 and social skills.

14 Q: What does SMART Moves stand for?

15 A. It stands for Skills Mastery and Resistance Training.

16 Q: How much support has Philip Morris USA provided to Boys & Girls Clubs?

17 A. Between 1999 and 2004, YSP has provided over \$40 million in grants to the Boys &
18 Girls Clubs.

19 Q: You also mentioned Big Brothers Big Sisters. Why did you decide to support this
20 organization?

21 A. Big Brothers Big Sisters is one of the most recognized youth serving organizations in the
22 country, and is by far the largest mentoring organization in the United States. Its focus on
23 mentoring is important to the goal of youth smoking prevention. In addition, an extensive study

1 by Public/Private Ventures, a national non-profit organization that, among other things, evaluates
2 and assesses various programs and community initiatives, published a study concluding that the
3 Big Brothers Big Sisters mentoring approach resulted in a number of measurable improvements
4 in youth outcomes, including reducing risky behaviors. In light of this research and the general
5 research on the beneficial impact of adult role models, we thought funding Big Brothers Big
6 Sisters made sense.

7 Q: What type of support has Philip Morris USA provided to Big Brothers Big Sisters?

8 A. Philip Morris USA has agreed to provide \$14.8 million over four years in grants to Big
9 Brothers Big Sisters. Our support for Big Brothers Big Sisters is unique. Rather than funding a
10 specific program, we are instead supporting two specific initiatives of the organization to help
11 grow its reach from about 250,000 to 1 million kids over the next five years. Our support will
12 primarily go toward helping Big Brothers Big Sisters to develop and implement a common
13 computer system that will connect all of its local organizations, and to develop an improved
14 fundraising system.

15 Q: Do you have another example of programs funded by Philip Morris USA?

16 A. Philip Morris USA YSP provides support to The Women's Sports Foundation, an
17 organization founded by Billie Jean King that has developed a program called "Go Girl Go," an
18 educational project that educates girls ages 8-18 about avoiding health-risk behaviors, the
19 importance of physical activity, and the development of leadership skills. The program also
20 features true life stories from champion athletes, such as Mia Hamm and Tamika Catchings.
21 One key feature of the program is that it awards funding primarily to organizations with sports
22 programs that serve girls from areas with high instances of health risk behaviors and to girls
23 sports programs interested in providing new or expanded program participation opportunities.

1 The program helped to reach more than 80,000 girls in 2004.

2 Q: Why is a program like "Go Girl Go" relevant to youth smoking prevention?

3 A. The "Go Girl Go" program helps to prevent youth smoking in a number of ways. First,
4 sports activities provide kids with a supervised and productive way to spend their time. Research
5 shows that kids who participate in sports programs are less likely to smoke. Second, "Go Girl
6 Go" uses program materials that are specifically designed for coaches to use with kids to provide
7 them with persuasive reasons not to engage in risky behaviors, including smoking. The fact that
8 these are presented by the coach, often an important role model, and feature successful female
9 athletes in testimonials, make them all the more effective.

10 Q: Mr. Willard, I am handing you JD- 053419. Can you please explain for the Court
11 what this is?

12 A. These are some of the materials from the "Go Girl Go" program. Included in these
13 materials are a Parent's Guide, a guide for participants, a Group Leaders Guide, a "Go Girl Go"
14 newsletter, and a "Go Girl Go" journal.

15 Q: Have you sought the advice of positive youth development experts in designing your
16 grant-making strategy?

17 A. Yes, we have. In 2002, we established a Positive Youth Development Advisory Board
18 comprised of leading experts in this field. The Board provides feedback on how to make our
19 current and future grant strategies more effective in preventing youth smoking.

20 Q: Who are the current members of this Advisory Board?

21 A. There are four members on the board: Jane Quinn, Assistant Executive Director for
22 Community Schools of the Children's Aid Society; Richard Tagle of the Public Education
23 Network; Cindy Brown, currently the Project Director for the Center for American Progress and

1 formerly the Director of Resource Center on Educational Equity at the Council of Chief State
2 School Officers, and Joy Dryfoos, an independent researcher, writer and lecturer whose expertise
3 is in the areas of adolescent behavior, prevention programs, school based health clinics and full-
4 service community schools. In addition, Lisa Villarreal, the Director of the California State
5 Field Office for California's Healthy Start Support Services for Children Act, is a former member
6 of the Board. Karen Pittman, Executive Director, Forum for Youth Investment, is a special guest
7 to the Advisory Board.

8 Q: What is the role of the Advisory Board?

9 A. We typically meet with Advisory Board on a semi-annual basis to discuss our strategy
10 and to seek input from them. The Advisory Board has been supportive of the overall direction of
11 our grant program, and it has also contributed a number of specific improvements in our grant-
12 making strategy. For example, based on the Advisory Board's recommendation, we
13 implemented a strategy to not only provide direct support for programs, but to offer financial
14 support for infrastructure needs that many of these organizations have which can get in the way
15 of their efforts to expand their reach. Our support for the Big Brothers Big Sisters infrastructure
16 development is an example of implementing recommendations made by the Advisory Board.

17 The Advisory Board has also been very supportive of our funding of research to measure
18 the effectiveness of positive youth development in general and specific programs, such as
19 "Health Rocks!". In addition to funding the 4-H "Health Rocks!" program, we are also funding a
20 longitudinal study of positive youth development conducted by Richard Lerner of the Tufts
21 University, Institute for Applied Research in Youth Development, which began in 2002.

22 Q: How significant is Philip Morris USA's support of positive youth development
23 programs?

1 A. We are among the largest corporate supporters of positive youth development programs
2 in the country.

3 2. Youth Cessation Program

4 Q: Does Philip Morris USA support any youth smoking cessation programs?

5 A. Yes.

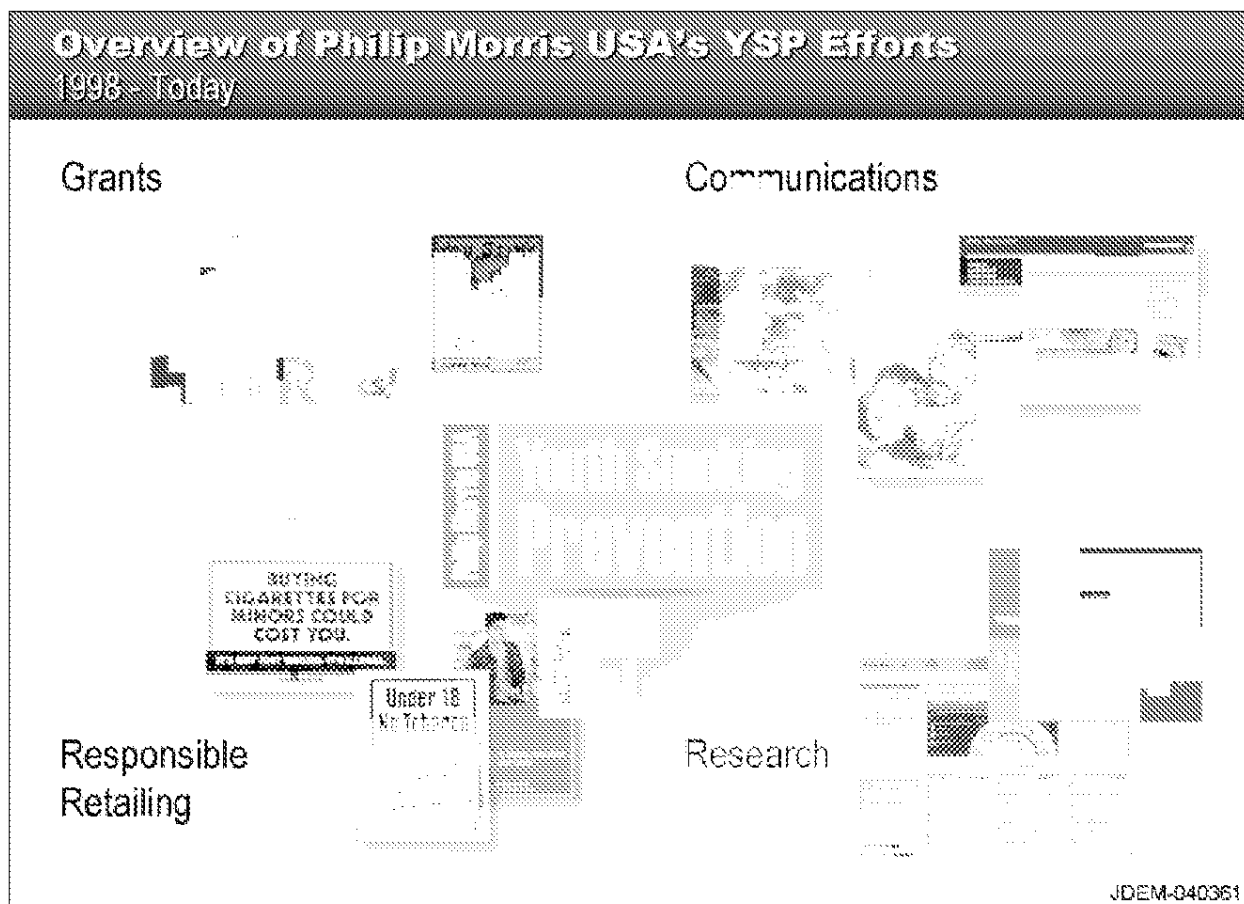
6 Q: Can you please tell the Court about these programs?

7 A. YSP is providing grant money to a youth smoking cessation pilot program in
8 Philadelphia, New York and Connecticut in conjunction with the Caron Foundation, a substance
9 abuse treatment organization. The Caron Foundation is implementing Ending Nicotine
10 Dependency (E.N.D.), a comprehensive, school-based youth tobacco prevention and cessation
11 program developed by the Utah Department of Health.

12 E.N.D. is an eight-session program that seeks to decrease teens' intentions to use tobacco,
13 improve their life skills, and build skills to help them quit using tobacco and remain tobacco-
14 free.

15 Philip Morris USA is in its fourth year of providing grants for this program. In 2004, we
16 provided \$800,000 in funding.

1 E. YSP Communications



2
3
4 Q: Mr. Willard, let's turn to the next area of YSP's focus, Communications. What does
5 that mean?

6 A: Today our YSP communications strategy is focused on helping parents have
7 conversations with their kids about not smoking. We do this with a communications campaign
8 called "Talk. They'll Listen," which encompasses a variety of communications tools – television
9 advertisements, print advertisements, and brochures, for example – that are designed to raise
10 awareness among parents of the important role they play in preventing their kids from smoking,
11 to remind them of the effectiveness of talking to their kids about not smoking, and to provide

1 them with tools and tips that can help them have effective conversations with their kids about not
2 smoking.

3 Q: Why is Philip Morris USA focusing its communications program on parents?

4 A. Several years ago, Philip Morris USA evaluated the role it was playing in the area of YSP
5 communications and took a close look at focusing on parent-directed communications. We
6 evaluated the research and ultimately decided that this could be a good opportunity for us to
7 make a meaningful contribution to the overall communications on youth smoking prevention
8 issues in the United States. We had a number of reasons supporting this decision.

9 First, research has consistently demonstrated that parents are one of the most important
10 influences in helping children avoid risky behaviors, including smoking. According to the 2001
11 National Survey of American Attitudes on Substance Abuse published by the National Center on
12 Addiction and Substance Abuse ("CASA"): "Parents are the single most important influence on
13 children's decision to smoke, drink or use drugs, yet many parents do not fully understand the
14 extent of their influence." (JD-054623 at 5). JD-054623 is a true and correct copy of this 2001
15 CASA Survey, which I reviewed in the course of my duties at Philip Morris USA. I would point
16 out that among the Trustees of CASA at the time of this survey were Joseph Califano, David
17 Kessler, the former head of the FDA, and Louis Sullivan, the former Secretary of Health and
18 Human Services.

19 Other resources, such as the 2000 Surgeon General's Report, similarly support the notion
20 that one of the many things that can help prevent youth smoking is making sure parents are
21 positively involved in their kids lives and talking to them about not smoking. (JD-002733 at
22 ___).

1 Second, we also saw that few if any organizations were addressing this aspect of the issue
2 on a large scale. There were, of course, a number of significant youth-focused campaigns in the
3 marketplace – for example, American Legacy Foundation's "truth®" campaign. By contrast, no
4 organizations of which we were aware were involved on any significant scale in communications
5 helping to encourage parents to have conversations with their kids about not smoking cigarettes.
6 We thought that supporting parent-directed communications would thus add to the field and
7 broaden the impact of YSP communications overall, and so it made a lot of sense for Philip
8 Morris USA.

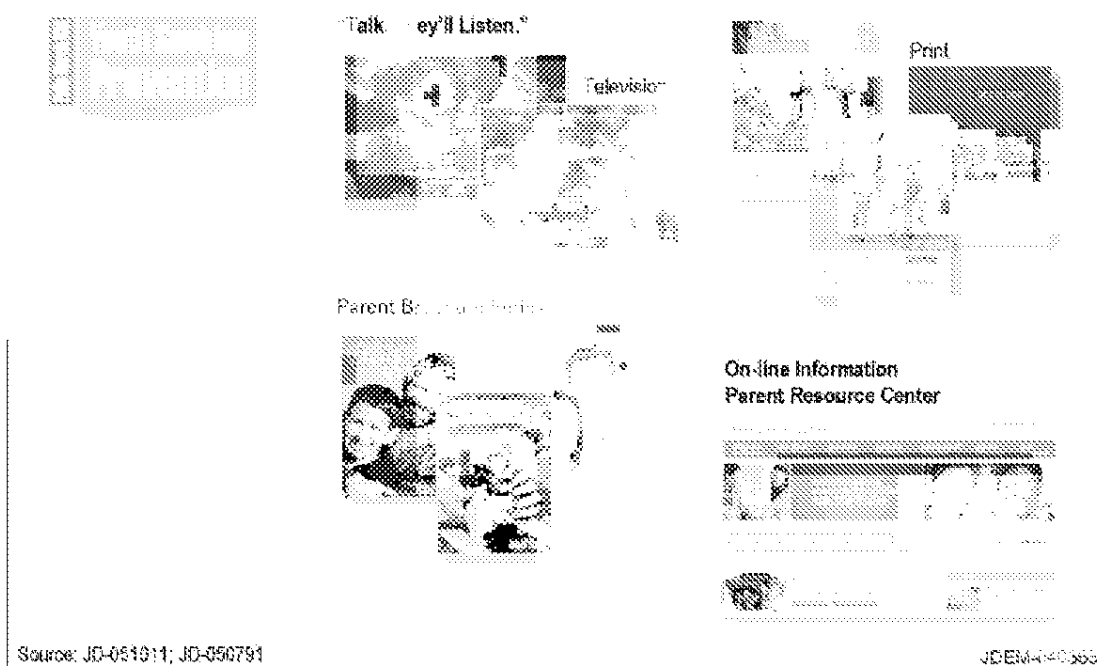
9 Q: So what is it that you are trying to accomplish with your parent communications
10 strategy?

11 A. Very simply, it is to encourage parents to have conversations with their kids about not
12 smoking, and to offer them materials developed by experts that can help them do that.

13 Q: What is JDEM-040363?

14 A. It is a summary of Philip Morris USA's parent communications.

Philip Morris USA's Communications With Parents



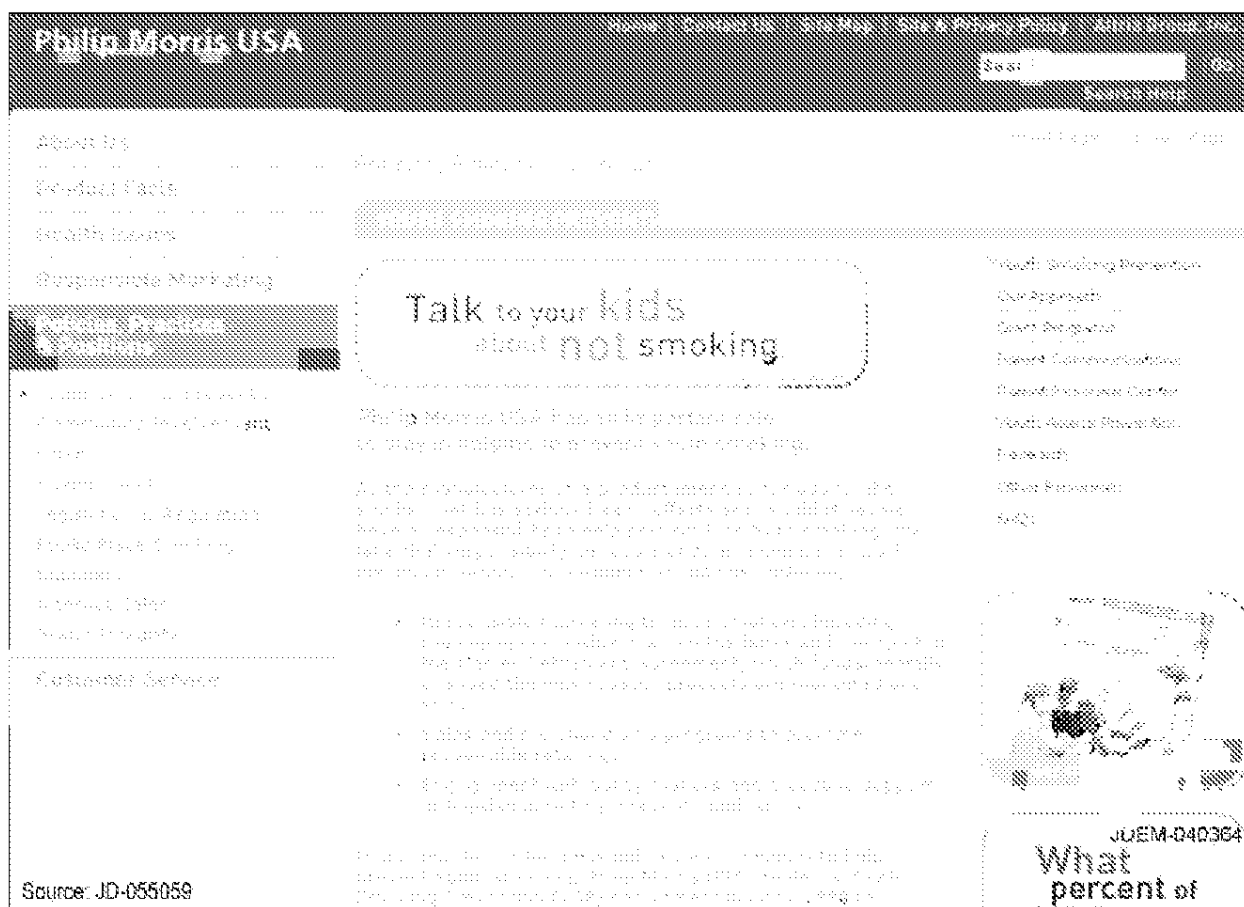
Q: Can you please describe for the Court what Philip Morris USA has done with respect to parent communications?

A. Our parent communications have focused on three main areas. First, we have our six-year old "Talk. They'll Listen" advertising campaign. This campaign includes television, radio and print advertisements to parents. Second, we have developed a parent brochure series, which is a resource parents can use to help them talk to their children about not smoking. Finally, we have developed on-line informational resources at www.pmusa.com, which include a Parent Resource Center.

Q: Is that website publicly available?

A. Yes. We have submitted as JD-055059 an electronic copy on a CD-ROM of the current version of the YSP, corporate responsibility, QuitAssist, and Parent Resource Center portions of the www.pmusa.com website, which Philip Morris USA created and maintains in the ordinary

1 course of its business. JDEM-040364 below is a representation of part of the first page of the
2 YSP section of the Philip Morris USA website from JD-055059.



3 Source: JD-055059

4 Q: What can I find here?

5 A. In addition to our program strategy, you can access: 1) the Parent Resource Center and
6 the Parent Brochure series; 2) research results from our Teenage Attitudes and Behavior Survey
7 ("TABS"), which is available to the public and to experts to help understand trends in youth
8 smoking; and 3) a description of our positive youth development activities and funding.

1 1. Communications with Parents

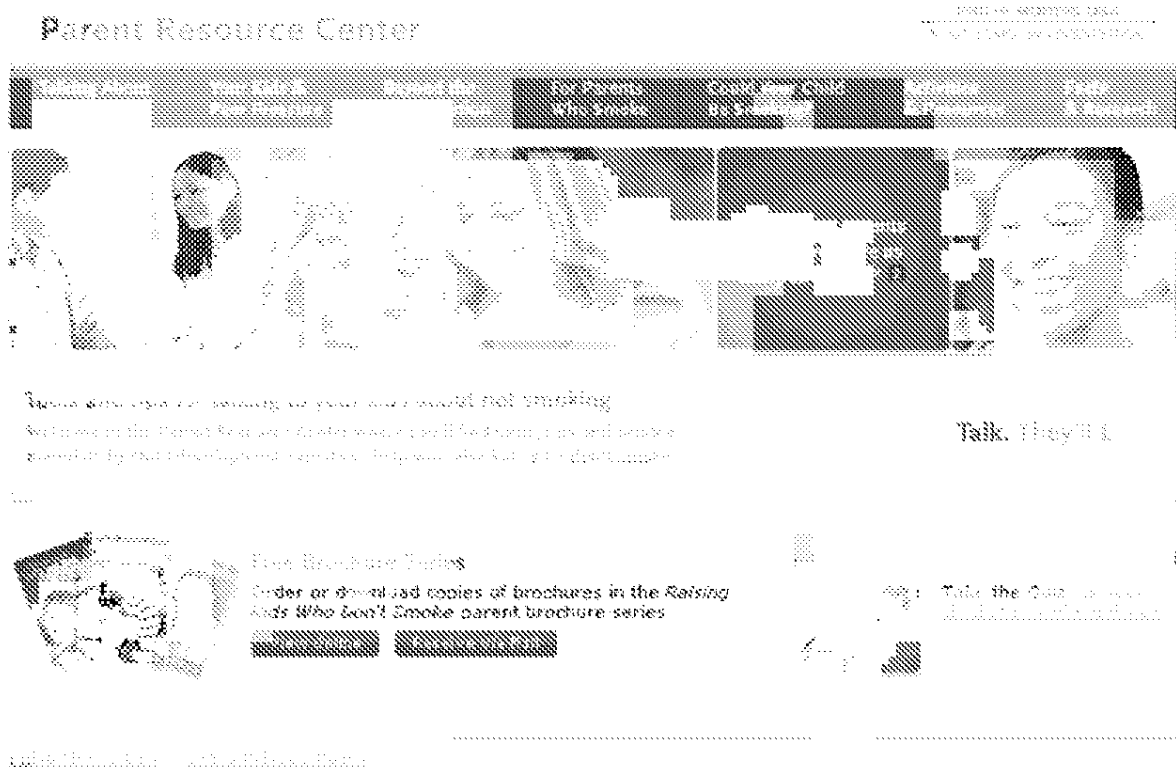
2 a. Parent Resource Center

3 Q: Let's talk about the Parent Resource Center. Can you please explain what the
4 Parent Resource Center is on the Philip Morris USA website?

5 A. The Parent Resource Center provides information and advice to help parents better
6 connect with and talk to their kids about not smoking and avoiding other risky behaviors. Parents
7 can find advice from child development and parenting experts on raising resilient kids and
8 enhancing the impact of conversations with them. Research shows that parents are one of the
9 most important influences on a kid's decision to smoke, drink, or use drugs. Parents can also
10 request a copy of our parent brochures, or print them from our website.

11 Q: Mr. Willard, I'm handing you JDEM-040366. Can you describe what that is?

12 A. Yes, it is the main page of the Parent Resource Center from JD-055059.



JDEM-040373

- 1
- 2 Q: When did the Parent Resource Center first appear on Philip Morris USA's website?
- 3 A. November 2002. The Parent Resource Center, however, has been updated since that
- 4 time.
- 5 Q: When was the current version of the Parent Resource Center unveiled?
- 6 A. January 2005.
- 7 Q: And what did that update include?
- 8 A. We upgraded the site and added content into the website from our parent brochures. New
- 9 content will be added in May 2005. The site had already tested very well in previous research
- 10 with parents, but we felt we could improve on that.
- 11 Q: Why was the Parent Resource Center updated?

1 A. We constantly review our materials to see if we can improve our programs and resources.
2 While we were happy with the Parent Resource Center, we thought it was time to update the site
3 to improve the navigation and organization of the site and better incorporate the parent brochure
4 series. As a result, we undertook research to determine whether these improvements would be
5 well received.

6 Q: What type of research did you do?

7 A. We hired a third-party research firm to conduct qualitative research with parents of
8 children aged 10 to 17. The goal was to measure reactions to a proposed new Parent Resource
9 Center website layout to gain insight into other possible areas of further improvement.

10 Q: Mr. Willard, I am handing you JD-055060. Can you please tell the Court what this
11 is?

12 A. It is the final report of this research.

13 Q: Was that report prepared at the request of Philip Morris USA in the ordinary
14 course of its business?

15 A. Yes.

16 Q: What were the results of that research?

17 A. Parents thought the redesigned Parent Resource Center was well-organized, clear and
18 easy to navigate. They also viewed the information provided as substantive, comprehensive, and
19 helpful. It seemed to empower parents by providing them with the tools and resources that they
20 need in order to have a conversation with their kids about not smoking. (JD-055060 at
21 3002996250).

22 Q: Has Philip Morris USA conducted any other research regarding the Parent
23 Resource Center?

1 A. Yes. We conducted research to evaluate the utility and appeal of the site for parents.

2 Q: Mr. Willard, I am handing you JD-052695. Is this an example of the research you
3 are referring to?

4 A. Yes. This is a report of quantitative research conducted in connection with the prior
5 version of the website, titled Marketview Research Quantitative Results Summary: Reference
6 Report PM USA YSP Parent Resource Center Evaluation Study.

7 Q: Was this document created at the direction of, and maintained by Philip Morris
8 USA in the ordinary course of its business.

9 A. Yes it was.

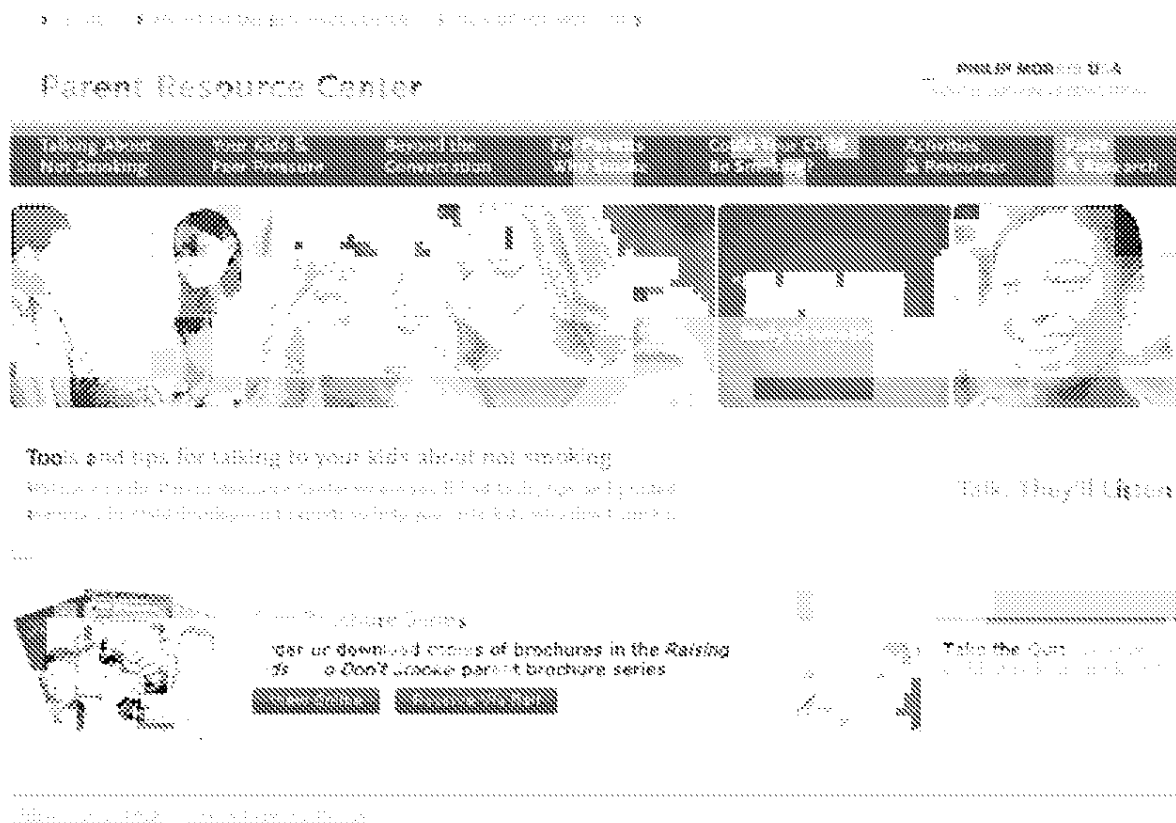
10 Q: And what has that research shown?

11 A. Overall, parents believed that the Parent Resource Center provided them with useful
12 information, particularly on how to have effective conversations with their children. With regard
13 to the prior version of the Parent Resource Center, 77% of parents said they would be "very or
14 somewhat" likely to visit the Parent Resource Center in the future to assist them in discussing not
15 smoking with their child/children, and 75% reported that they would be "very or somewhat"
16 likely to refer someone else to the Parent Resource Center. (JD-052695 at Bates-numbers ending
17 in 6219, 6223).

18 Q: I'd like to briefly walk through the Parent Resource Center for the Court. Directing
19 your attention to JDEM-040366 which shows the home page of the Parent Resource
20 Center, please give the Court a general overview of the information you can access here?

21 A. We have information for parents, grouped under the seven headings you see here, to help
22 parents raise children who don't smoke. You can also access our parent brochure series, "Raising

- 1 Kids Who Don't Smoke" from this page, and sign up to receive additional information about
2 preventing youth smoking.



- 3
- 4 Q: How was this website developed?
- 5 A: YSP created the current website in consultation with an advisory board consisting of
- 6 noted psychologists, psychiatrists, and public health professionals. We rely on these experts to
- 7 help us design a website that will provide useful information for parents.
- 8 Q: Can you briefly describe some of the members of the advisory board and
- 9 contributors to the website for the Court?
- 10 A: The advisory board has experts from leading institutions, such as Harvard Medical
- 11 School. The chair of the board, Dr. Larry Kutner, is the co-director of the Center for Mental

1 Health and Media at Harvard Medical School, and has authored numerous books, articles, book
2 chapters and magazine columns on child behavior. He has been recognized by the American
3 Psychological Association for his work. The other members have similar expertise. Another
4 member of the Advisory Board, Cheryl K. Olson, Sc.D., is a public health professional
5 specializing in behavioral health and health communications. She teaches in the Department of
6 Psychiatry at Harvard Medical School. A third Advisory Board member, Dr. G. Alan Marlatt of
7 Addictive Behaviors Research Center, Department of Psychology, University of Washington,
8 principally focuses on both research and clinical work in the field of addictive behaviors. In
9 addition to over 200 journal articles and book chapters, he has published several books in the
10 field of addictions.

11 In addition to the advisory board, Dr. Charles Flatter, who authored many sections of the
12 Parent Resource Center, has authored several child development textbooks, and has developed
13 numerous drug abuse prevention curricula and materials, including "Learning to Live Drug Free:
14 A Curriculum Model for Prevention," published by the United States Department of Education
15 and distributed to schools and school systems throughout the United States.

16 Q: You mentioned the parent brochure series. We're going to talk about that in more
17 detail next, but can you briefly explain what that is?

18 A. These are brochures for parents of 10-17 year olds that encourage and help parents talk to
19 their children about not smoking.

20 Q: We're not going to walk through everything you can find under the seven subject
21 headings here, but I would like to highlight a few things. Does the website include
22 information for parents who smoke?

1 A. Yes, we have a section devoted to that topic. Here, a parent who smokes can find
2 information about facts to consider, as well as tips and resources to help talk to their children
3 about not smoking. The section tells parents that kids whose parents smoke are at twice the risk
4 to start smoking and encourages parents to tell their kids why they should not smoke, the health
5 risks of smoking, how hard it is to quit, and whether the parents would have made a different
6 decision if they knew then what they know now.

7 Q: Does the website mention the health risks of smoking?

8 A. Yes, among other areas, we have a section devoted to the short- and long-term effects of
9 smoking, located in the "Facts and Research" section of the Parent Resource Center. For
10 example, it states: "The younger people are when they start smoking, the more likely they are to
11 become strongly addicted to nicotine." This section of the Parent Resource Center goes on to
12 state: "Almost 9 out of 10 lung cancer deaths are caused by smoking cigarettes. Smoking is a
13 major cause of heart disease, emphysema and stroke, and may increase the risk of oral and gum
14 disease. A person who smokes a pack or more of cigarettes each day lives, on average, seven
15 years less than someone who has never smoked."

16 Q: What other information can be found on the website?

17 A. In addition to our tips and information on talking to kids about not smoking and peer
18 pressure, the Parent Resource Center provides tips for building self-confidence in children,
19 interactive activities and resources for preparing for a talk with children, as well as facts and
20 research about youth smoking and the impact parental influence can have on a child's decision
21 not to smoke.

22 Q: Has Philip Morris USA made any efforts to publicize the availability of this
23 information on its website?

1 A. Yes. In 2002, Philip Morris USA distributed free-standing inserts in major national
2 newspapers. It also placed onserts on packs of cigarettes informing consumers about the
3 website, and in particular, the Parent Resource Center and the Parent Brochures. Further, we
4 have aired several television advertisements that communicate about the importance of talking to
5 kids about not smoking, and which direct viewers on how to access the parent brochures.

6 Q: Is JD-054554 a true and accurate copy of the free-standing insert?

7 A. Yes.

8 Q: How widely was the free-standing insert distributed?

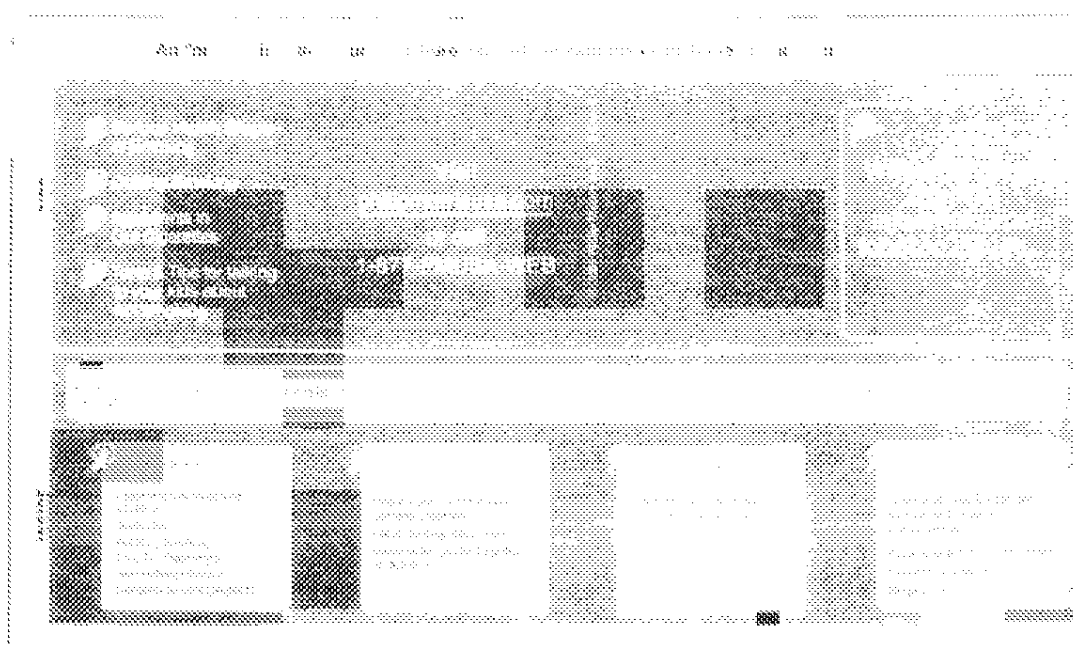
9 A. Philip Morris USA put approximately 15 million inserts in major national newspapers in
10 20 markets, including USA Today, the New York Times, the Los Angeles Times, and the
11 Washington Post.

12 Q: Does the free-standing insert refer to the www.pmus.com website and the Parent
13 Resource Center?

14 A. Yes. On page 14, it discusses youth smoking prevention and specifically refers to the
15 Parent Resource Center.

16 Q: Sir, I am handing you JD-054553. Can you explain for the Court what this is?

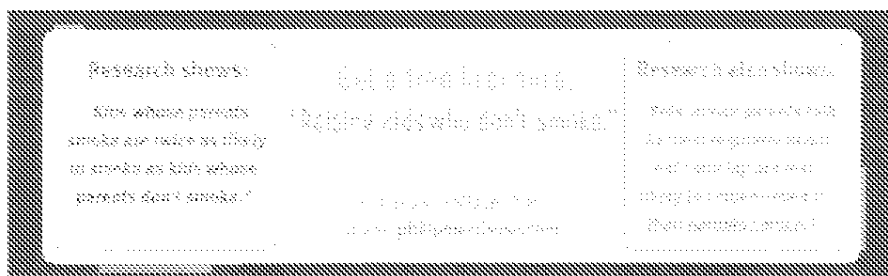
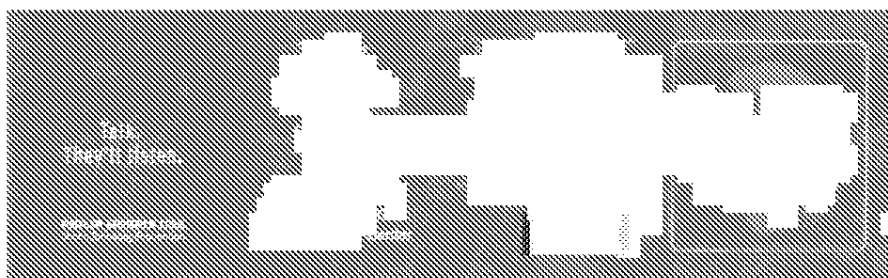
17 A. This is one of the onserts I referenced a moment ago. This onsert was distributed by
18 Philip Morris USA in the first quarter of 2004.



- 1
- 2 Q: Is this a true and accurate copy of the onsert?
- 3 A. Yes
- 4 Q: Can you give the Court a brief description of this onsert?
- 5 A. It informs consumers that they can find more information about tobacco issues on Philip
- 6 Morris USA's website and directs consumers to the website or to a toll-free number to call to get
- 7 more information. Tools and tips for talking to kids about not smoking is one of the issues
- 8 highlighted in this onsert, and the Parent Resource Center is specifically featured.
- 9 Q: How was this onsert distributed?
- 10 A. This onsert was placed on one week's volume of Philip Morris USA's major brands,
- 11 which worked out to be well over 100 million packs.

1 Q: Sir, JD- 055061 is another cigarette package insert. Can you tell the Court what
2 this is?

3 A. This is a cigarette pack insert we distributed in the second quarter of 2004 that is devoted
4 to our parent communications and specifically references the Parent Resource Center.



5
6 Q: Is this a true and accurate copy of that cigarette pack insert?
7 A. Yes.
8 Q: How widely distributed was the insert?
9 A. The insert was placed on over 100 million packs of cigarettes.
10 Q: What was the purpose of this insert?

1 A. The onsert specifically references the resources available at Philip Morris USA's website
2 for parents who want more information on how to talk to their children about not smoking. It
3 was meant to highlight the "Talk. They'll Listen" campaign, including the brochure, "Raising
4 kids who don't smoke," and the Parent Resource Center. Since this onsert is placed on cigarette
5 packs, we thought it was appropriate to highlight research findings regarding kids with parents
6 who smoke -- namely, that kids whose parents smoke are themselves more likely to smoke.

7 Q: You also mentioned television commercials. Mr. Willard, JD-053209 is a
8 videocassette of a television commercial entitled "Raising Kids Who Don't Smoke," and
9 JD- 052902 is a storyboard for the same commercial. Are these true and accurate copies of
10 the television commercial and related storyboard for "Raising Kids Who Don't Smoke" ?

11 A. Yes it is.

12 Q: What was the purpose of this television advertisement?

13 A. The purpose of this advertisement was to highlight the resources available at
14 www.pmus.com to help parents talk to their kids about not smoking. It specifically references
15 the Parent Resource Center and the Parent Brochure Series.

16 Q: When did this commercial air ?

17 A. This commercial aired nationally during the second quarter of 2004 and variations of this
18 advertisement also ran in the third quarter of 2003 and 2004.

19 Q: Mr. Willard, can you briefly explain for the Court what reach and frequency means
20 in terms of media communications?

21 A. Yes. Reach means the percentage of the audience that is exposed to a communication,
22 and frequency means the average number of times the audience was exposed to it.

23 Q: Mr. Willard, please tell the Court what is JD-055062?

1 A. This is a true and accurate copy of a document setting forth the reach and frequency of
2 some of our television commercials that discussed the Parent Resource Center.

3 Q: Was JD-055062 created and maintained in the ordinary course of business of Philip
4 Morris USA?

5 A. Yes it was.

6 Q: And what was the reach and frequency for the television commercial "Raising Kids
7 Who Don't Smoke" ?

8 A. This commercial aired in the second quarter of 2004 and reached approximately 80% of
9 parents of 10-17 year-olds an average of 7 times.

10 Q: Mr. Willard, I am handing you JD-052905. Can you tell the Court what this is?

11 A. These are radio scripts for radio commercials. The page ending in Bates number
12 PM3000181261 is the script for a commercial entitled "Parent Resource Center," which is one of
13 the variations of the commercial we just viewed.

14 Q: So this is an example of the type of ad that would be placed on radio?

15 A. Yes.

16 Q: Does Philip Morris USA publicize the Parent Resource Center anywhere else?

17 A. Yes, as part of our "Talk. They'll Listen" parent print advertisement series, we have print
18 ads that specifically reference the Parent Resource Center.

19 Q: Mr. Willard, I am handing you JD-055063. Directing your attention to the page
20 that ends in bates number 8354, is this an example of the type of advertisement you are
21 referring to?

22 A. Yes.



1
2 Q: Do you have to have access to the Internet to be able to take advantage of the
3 information provided in the Parent Resource Center?

4 A. No. All of the above communications provide a toll-free number to call to request a
5 brochure with information about how parents can talk to their kids about not smoking.

6 Q: Mr. Willard, I am handing you JD-055064. Can you tell the Court what this is?

7 A. This is the type of material that someone would receive if they called the toll-free number
8 and requested information from the Philip Morris USA website. It includes the two parent
9 brochures available at the Parent Resource Center, "Raising Kids Who Don't Smoke" and "Peer
10 Pressure," as well as a pamphlet describing Philip Morris USA's youth smoking prevention
11 efforts.

1 b. Parent Brochures

2 Q: You mentioned the parent brochure series, which was also highlighted in the onsert,
3 television and radio commercials, and print ads we just reviewed. Has Philip Morris USA
4 YSP also developed brochures as part of its parent communications?

5 A. Yes, as part of our "Raising Kids Who Don't Smoke" parent brochure series, we currently
6 have two English language brochures and one Spanish language brochure.

7 Q: Did Philip Morris USA YSP collaborate with anyone on these brochures?

8 A. Yes, we worked with our advisory board made up of parenting, child development, and
9 public health educators from leading universities. This board is responsible for overseeing the
10 content of the brochure.

11 Q: Can you briefly describe the members of the advisory board?

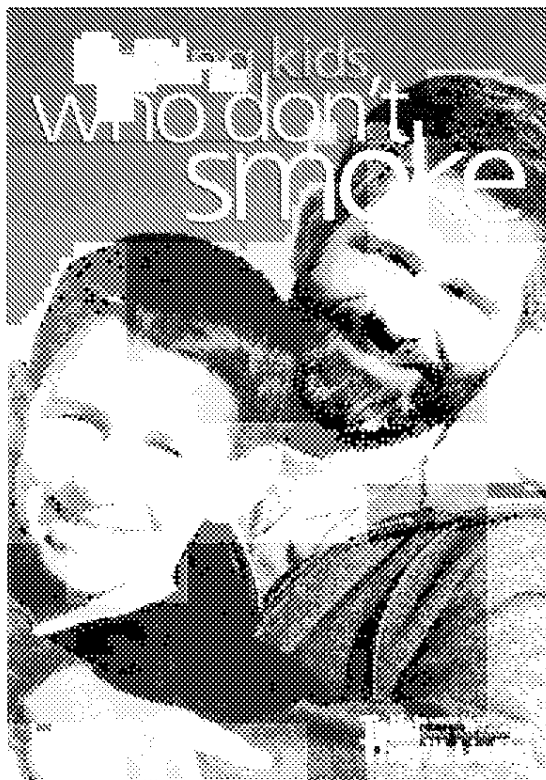
12 A. There are five members of the advisory board. Three of the Board members are affiliated
13 with Harvard Medical School and the other two are affiliated with the University of South
14 Carolina Medical School and the University of Washington. The members are experts in their
15 fields with extensive background and experience in child development, behavioral health and
16 health communications, pre-adolescent and adolescent development, and addictive behaviors.
17 We rely on the board members to oversee the content of the brochures.

18 Q: Mr. Willard, I'm handing you what has been marked as JD-51018. Is this an
19 accurate list of the advisory board members that contributed to the development of these
20 brochures?

21 A. Yes, it is.

1 Q: You mentioned that you currently have two English language brochures, and one
2 Spanish language brochure. I'm handing you JD-050791. Can you tell the Court what this
3 is?

4 A: Yes. This is one of our English language brochures titled "Raising Kids Who Don't
5 Smoke."



6
7 Q: When was this brochure developed and published by Philip Morris USA?

8 A: June 2003, in collaboration with the advisory board we just discussed.

9 Q: What does this brochure cover?

10 A: It gives basic facts parents may find helpful to address with their kids the issue of not
11 smoking. It also covers topics like the long-term and short-term health risks of smoking
12 cigarettes.

13 Q: How was this brochure distributed?

1 A. We have distributed over 25 million copies of this brochure by direct mail, in displays at
2 retail, in magazines, and upon request. You can also view or download a copy of the brochure
3 from the Parent Resource Center on the website.

4 Q: And how did you determine to whom to mail this brochure?

5 A. We rented a mailing list consisting of names and addresses of parents.

6 Q: Did you conduct research during the development of this brochure?

7 A. Yes.

8 Q: Is JD-051017 a true and correct copy of a report of that research?

9 A. Yes it is.

10 Q: Was that research prepared at the direction of Philip Morris USA and is it
11 maintained in the ordinary course of Philip Morris USA's business?

12 A. Yes.

13 Q: And what were the results of that research?

14 A. It was very favorable. In quantitative testing, 97% of parents stated that they were
15 "somewhat likely" (76%) or "very likely" (21%) to talk to their children about not smoking after
16 having read the brochure, and 94% of parents said they were "somewhat likely" (34%) or "very
17 likely" (60%) to feel more confident in talking to their children about not smoking after reading
18 the brochure. (JD- 051017 at 3000152668).

19 Q: Did you conduct any other research on this brochure?

20 A. Yes, after the brochure had been in the market, we conducted post-launch testing to
21 evaluate the awareness and effectiveness of brochure.

1 Q: Let me show you a document titled, "PM USA YSP Parent Brochure #1: "Raising
2 Kids Who Don't Smoke" (English-Language) Awareness and Usage Study, Aug. 2004 is
3 JD-055065. Is this the report of the research you just mentioned.

4 A. Yes, it is.

5 Q: Is it a document created and maintained at Philip Morris USA's direction in the
6 ordinary course of its business.

7 A. Yes.

8 Q: What were the results of this test?

9 A. Of those parents who said they were aware of the brochure, 59% said they had spoken to
10 their children as a result of reviewing the brochure. (JD-055065 at 3002959477).

11 Q: And the other English language brochure?

12 A. Our other English language brochure is titled "Peer Pressure and Smoking." It offers
13 parents advice and resources on how to talk to their children about peer pressure and not
14 smoking.

15 Q: Sir, I'm handing you JD-050792. Is this a true and exact copy of the parent
16 brochure, "Peer Pressure And Smoking," to which you are referring?

17 A. Yes.

18 Q: What does the brochure cover?

19 A. This brochure focuses on peer pressure and how it can influence a child's behavior,
20 including whether to engage in risky behavior such as smoking cigarettes. The brochure, among
21 other things, provides insights and tools to help parents help their children to handle peer
22 pressure.

23 Q: When was this brochure developed and published by Philip Morris USA?

1 A. October 2003, again in collaboration with the advisory board.

2 Q: What was the distribution for "Peer Pressure and Smoking" ?

3 A. We used the same distribution approach as the other English language brochure. To date

4 we have distributed over 30 million copies of this brochure.

5 Q: Did you conduct testing on this brochure?

6 A. Yes.

7 Q: Is JD-055066 a true and correct copy of the report of that quantitative research?

8 A. Yes.

9 Q: Was that research prepared at the direction of Philip Morris USA and is it

10 maintained in the ordinary course of Philip Morris USA's business?

11 A. Yes.

12 Q: And what were the results of that research?

13 A. This testing was also encouraging: 96% of parents said they were "somewhat likely"

14 (16%) or "very likely" (80%) to talk to their child about not smoking after reading the brochure,

15 and 93% of parents said they were "somewhat likely" (33%) or "very likely" (60%) to feel more

16 confident in talking to their children about not smoking after reading the brochure. (JD-055066

17 at PM3000753773).

18 Q: Was any post-launch research conducted on this brochure?

19 A. Yes.

20 Q: Is JD-055067 a true and correct copy of the presentation on that research?

21 A. Yes.

22 Q: Was it conducted and prepared in the ordinary course of Philip Morris USA's

23 business.

1 A. Yes.

2 Q: Can you summarize the presentations key findings?

3 A. Again, after the launch, we researched awareness and impact. This research showed that
4 of those parents who were aware of the brochure, 61% said they had spoken to their children as
5 a result of reading the brochure. It was gratifying to see that the brochure was associated with
6 positive actions. (JD-055067).

7 Q: You also mentioned a Spanish language brochure?

8 A. Yes, we distributed a bi-lingual (English/Spanish) version of the "Raising Kids Who
9 Don't Smoke" brochure in August 2004.

10 Q: Mr. Willard, I am handing you JD-055068. Is this the Spanish language brochure to
11 which you are referring?

12 A. Yes.

13 Q: How was this brochure distributed?

14 A. To date, approximately 850,000 copies have been distributed via direct mail, with
15 additional copies distributed upon request. As with the other brochures, you can also view or
16 download a copy of the brochure on-line.

17 Q: Has Philip Morris USA distributed any other parent brochures?

18 A. Yes, prior to the "Raising Kids Who Don't Smoke" brochure series, we published a
19 brochure in 2001 entitled "Start Talking to Your Kids About Not Smoking."

20 Q: What did this brochure cover?

21 A. This brochure offered parents tips on how to talk to their kids about not smoking, and
22 gave parents facts about youth smoking.

1 Q: Mr. Willard, I am handing you JD-050790. Is this a true and accurate copy of the
2 parent brochure you were discussing?

3 A. Yes.

4 Q: What are Philip Morris USA's plans for the future with regard to the Parent
5 Brochure series?

6 A. We plan to publish a third English language brochure later this year entitled "Could Your
7 Kid Be Smoking." This brochure is intended to provide parents with tips on how to detect signs
8 that their kids might be smoking, and then to provide them with advice on how to start the
9 conversation with their kids if they see those signs. It also addresses the topic of youth cessation.

10 c. "Talk. They'll Listen" Parent Television Campaign

11 Q: Did the Philip Morris USA YSP program run any additional television advertising
12 as part of the parent communication effort?

13 A. Yes. The "Talk. They'll Listen" television campaign began in August 1999.

14 Q: Why did Philip Morris USA begin parent-directed communications in 1999?

15 A. As the Company gained more experience in the area of youth smoking prevention and
16 studied the research, we saw that the evidence demonstrated that parents are one of the strongest
17 influences on whether their child starts to smoke or not. We also noticed that time that the
18 Office of National Drug Control Policy ("ONDCP") was running a campaign aimed at
19 encouraging parents to discuss the effects of drug use with their kids. When we looked at the
20 situation, we saw that there were no significant YSP campaigns aimed at parents. We considered
21 the situation and the role Philip Morris USA could play in the overall landscape of YSP efforts in
22 the United States, and decided that we could make a significant contribution with a parent

1 communications strategy. We thought this would meaningfully add to the range of YSP efforts
2 that were under way in the United States.

3 Q: Did Philip Morris USA have any interaction with ONDCP regarding its campaign?

4 A. We definitely studied their campaign and the research regarding what they were trying to
5 accomplish with their approach. In fact, Connie Pechman, a leading youth expert, who sat on the
6 ONDCP Board, contacted Dr. Levy to find out which advertising agency developed the parent
7 advertisements for Philip Morris USA because she liked them.

8 Q: How did the "Talk. They'll Listen" campaign evolve?

9 A. When it started, we decided it would be important to engage in a mass media campaign to
10 raise awareness among parents about the importance of talking to their kids about not smoking.
11 That is why Philip Morris USA ran television and print advertising. We then decided to add to
12 this effort with a variety of initiatives to increase the depth of information provided to parents.
13 And so we developed the Parent Resource Center and the brochures I discussed earlier, to
14 provide more detailed information on how to talk to kids about not smoking. Our "Talk. They'll
15 Listen" print advertising has run continuously since we launched the campaign in 1999
16 throughout this period. Our English language television campaign ran through January 2004,
17 and our Spanish language television campaign ran through the third quarter of 2004. However,
18 during 2004 we ran other television commercials highlighting the availability of the Parent
19 Resource Center and the brochures. We are currently on track to run new "Talk. They'll Listen"
20 television advertisements – in both English and Spanish – in the third quarter of this year.

21 Q: What message is Philip Morris USA YSP program trying to get across to parents in
22 this campaign?

1 A. The tag line for the campaign is "Talk. They'll Listen." We want to encourage parents to
2 talk to their kids about not smoking and to stay involved in their kids' lives. Research shows that
3 kids whose parents regularly talk to them about not smoking are less likely to smoke – so this
4 campaign seeks to encourage parents to have the kinds of conversations with their kids that can
5 make a difference in whether or not a child smokes.

6 Q: Mr. Willard, does YSP have a process that it goes through to develop, create, and
7 produce its television and print advertisements?

8 A. Yes.

9 Q: Sir, I am handing you what has been marked as JD-051012, which is a document
10 titled Overview of Research Process Evaluating YSP Parent-directed Communications.
11 Can you tell the judge what this is?

12 A. In this overview at page PM3000152369 there is a flow chart that represents the
13 extensive process we follow to create, develop, research, and produce our YSP television
14 advertisements.

15 Q: Was this document prepared and maintained by Philip Morris USA in the ordinary
16 course of its business?

17 A. Yes.

18 Q: Can you briefly describe this process for the judge?

19 A. Yes. As you can see on the first page, we go through a very involved and extensive
20 process even before the ad is created. The cornerstone of the process is advertising research.
21 The concept for "Talk. They'll Listen" came out of academic research showing that parents play
22 an important role in kids' choices. As this chart shows, the ad development process involves a
23 series of qualitative and quantitative tests on specific ad concepts to insure that they effectively

1 deliver the message to parents. The ad development process and the research and review process
2 involves Young & Rubicam, a leading advertising agency and YSP working in a collaborative
3 effort. As I will discuss later on, we then continue to evaluate the effectiveness of the
4 advertising in communicating the message by conducting quantitative tracking studies after the
5 ads are run.

6 Q: What is qualitative testing?

7 A. We show the commercials to a group of parents and then we have a discussion with them
8 about their reactions to the advertising. These reactions are then collected and analyzed in a
9 report.

10 Q: What is quantitative testing?

11 A. This involves is a much larger sample of parents. We show the commercials to
12 individual parents and then ask them a series of questions to learn what they think is the message
13 of the commercial. Then we categorize their responses and determine the percentage of
14 respondents that fall within each category.

15 Q: Can you describe the process Philip Morris USA used to test the parent
16 commercials before they aired on television?

17 A. Yes. We tested each ad with 600 parents of 10 to 17 year olds across the country before
18 it aired on TV for clarity, persuasiveness and likeability. (JD- 051012 at 2372).

19 Q: And what were the results of the tests?

20 A. 99 percent or more of the parents of 10-14 year olds reported that each ad communicated
21 that parents should talk to their kids about not smoking, kids shouldn't smoke or other positive
22 prevention messages. (JD-051012 at 2373)

23 Q: What does Philip Morris USA look for in the testing of these advertisements?

1 A. Our principal goal, which is consistent with standard practice in advertising research, is
2 to look at whether the target audience understands the main message, whether the ads make
3 parents more inclined to talk to their kids about not smoking, and whether the audience likes the
4 advertising. For instance, 99% of parents understood the message that they should talk to their
5 kids about not smoking, kids shouldn't smoke, or other positive message; 79% or more of
6 parents were "very" or "somewhat likely" to have a conversation with the kids about not smoking
7 after viewing the commercials, and 88% or more of parents "very much" or "somewhat" liked
8 the commercials. (JD-051012 at 2373-2376).

9 Q: Have you done any other testing on the parent commercials?

10 A. Yes, we have. After the ads are aired or published, we do quantitative testing with
11 parents to determine whether they have seen the ads, whether the ads affected their attitudes, and
12 whether parents report that they have spoken with their kids about not smoking as a result of
13 seeing the ad.

14 Q: What did this testing show?

15 A. The testing showed that the audience was aware of the advertising and positively affected
16 attitudes and behavior. For instance, 60% of parents expressed awareness of the ads, and 41% of
17 those parents said they had a conversation with their child about not smoking as a result of
18 viewing the television commercial.

19 Q: Have Philip Morris USA YSP commercials directed at parents aired on TV?

20 A. Yes

21 Q: How many such commercials have been aired?

1 A. We have sixteen basic English language ads, which have slight variations. In total, we
2 have aired over 25 variations of our English language parent commercials. We also have aired 6
3 Spanish language parent commercials.

4 Q: Why did YSP choose to run television advertisements?

5 A. At the launch of the "Talk. They'll Listen" campaign, we thought it was important to
6 reach a large and broad audience of parents, and television is an effective way quickly to reach a
7 large number of people. We thought this was important because, at the time, it was the first
8 national effort that we were aware of to communicate to parents about the importance of talking
9 to their kids about not smoking. We thought a national television campaign would quickly raise
10 awareness among parents.

11 Q: Did you bring the parent commercials to show to the judge?

12 A. Yes.

13 Q: Sir, what is JDEM-040370?

14 A. It is a CD-ROM containing the following English language television commercials
15 directed at parents: "Conversations," "Makeup," "Thank You," "Party," "Two Little Words,"
16 "Baseball," "Future Dreams," "Reactions," "Know Their Friends," "If the Shoe Fits," "Right
17 Lane," "Roll Call," "Listening," "Advice," "Ten O'Clock," and "Being There", all of which were
18 extracted from JD-041561.

19 Q: Does that CD-Rom contain a true and accurate presentation of the commercials you
20 just identified?

21 A. Yes.

22 Q: Mr. Willard, what are JD-050804 at 7135-7146, 052897, 052899, 052900, 052901,
23 046365?

1 Q: Why did YSP choose those shows to run those commercials?

2 A. Because those are the types of shows that are popular with adults aged 35-54. We focus
3 our parent advertising on adults ages 35-54 because we want to reach parents of kids aged 10-17
4 years.

5 Q: Let's talk about a few of these commercials in detail. Directing your attention to the
6 ad called "Know Their Friends" – can you briefly explain for the Court the themes and
7 goals behind this ad?

8 A. Yes, this advertisement is designed to remind parents of something that they hopefully
9 already know – that their kids' friends can have a big influence on them, including a negative
10 influence like offering cigarettes. The ad provides good advice – know your kids' friends and
11 talk to your child about not smoking. And it demonstrates the potential value of following this
12 advice, with a dramatization of a child turning down a cigarette offer from a peer.

13 Q: Did the research you conducted on this advertisement demonstrate that it was
14 effective?

15 A. Yes, like our other ads we submitted this advertisement to quantitative research before we
16 aired it, and that research showed 99% of parents reported that the ad communicated the message
17 that parents should talk to their kids about not smoking, kids shouldn't smoke, or other positive
18 message. Further, 85% of parents reported that it was "very likely" (53%) or "likely" (32%) that
19 they would have a conversation with their kids about not smoking if they were watching
20 television with their child and they viewed this ad. (JD-051012 at 2373-2375)

21 Q: Let's talk about another ad, called "Baseball." Tell us what this ad was intended to
22 convey.

1 A. In this ad, we reinforced the "Talk. They'll Listen" message by focusing parents on how
2 quickly it seems kids grow up, and by reminding them to have conversations with their kids
3 about not smoking "every chance you get." We tried to convey this message as effectively as we
4 could, and this ad does that in a very engaging way. Our research again showed that this ad
5 effectively conveyed its message to the target audience of parents, with results comparable to
6 those we saw in our other YSP ads.

7 Q: I notice you have several Spanish language commercials. Why did you produce
8 these advertisements?

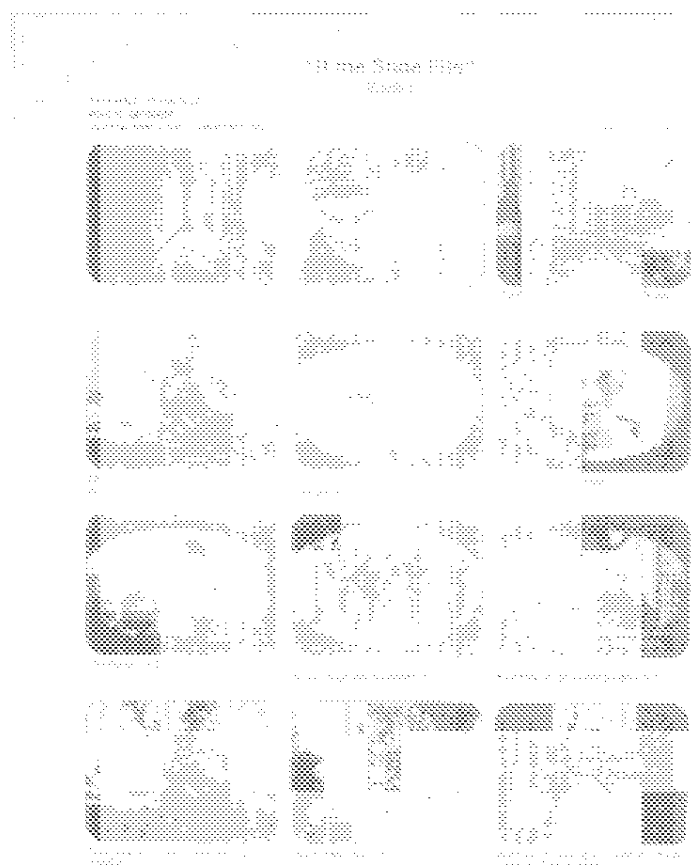
9 A. There is a large and growing population of Hispanics in the United States and many of
10 them prefer to receive communications in Spanish. In order to more effectively reach that
11 segment of parents, we decided to produce these commercials.

12 Q: Sir, what is JDEM-040371 ?

13 A. It is a CD-ROM containing these YSP Spanish language commercials titled, "Mentor,"
14 "Rewind," "Signals," "If the Shoe Fits," "Home Run," and "First Date". The commercials were
15 extracted from JD-041561 and they are true and accurate copies of these commercials that Philip
16 Morris USA YSP aired.

17 Q: Sir what is JD- 050804 at pages ending in 7237-7241?

18 A. They are storyboards that are true and accurate representations of the Spanish language
19 YSP commercials titled "Mentor," "Rewind," "Signals," "If the Shoe Fits," "Home Run," and
20 "First Date". One of those storyboards is set forth below is a true and accurate copy of the
21 storyboard for "If the Shoe Fits" from JD-050804.



Q: Is the theme for these commercials the same as the theme for the English language commercials?

A. Yes, the same theme that parents should talk to their children about not smoking was emphasized in these commercials.

Q: Were these commercials developed, researched, and tested under the same process that we discussed above?

A. Yes, they were developed, researched, and tested following the same process except that the audience researched was Spanish-speaking.

Q: Let's talk about one of these in more detail. Can you describe the ad called "Mentor"?

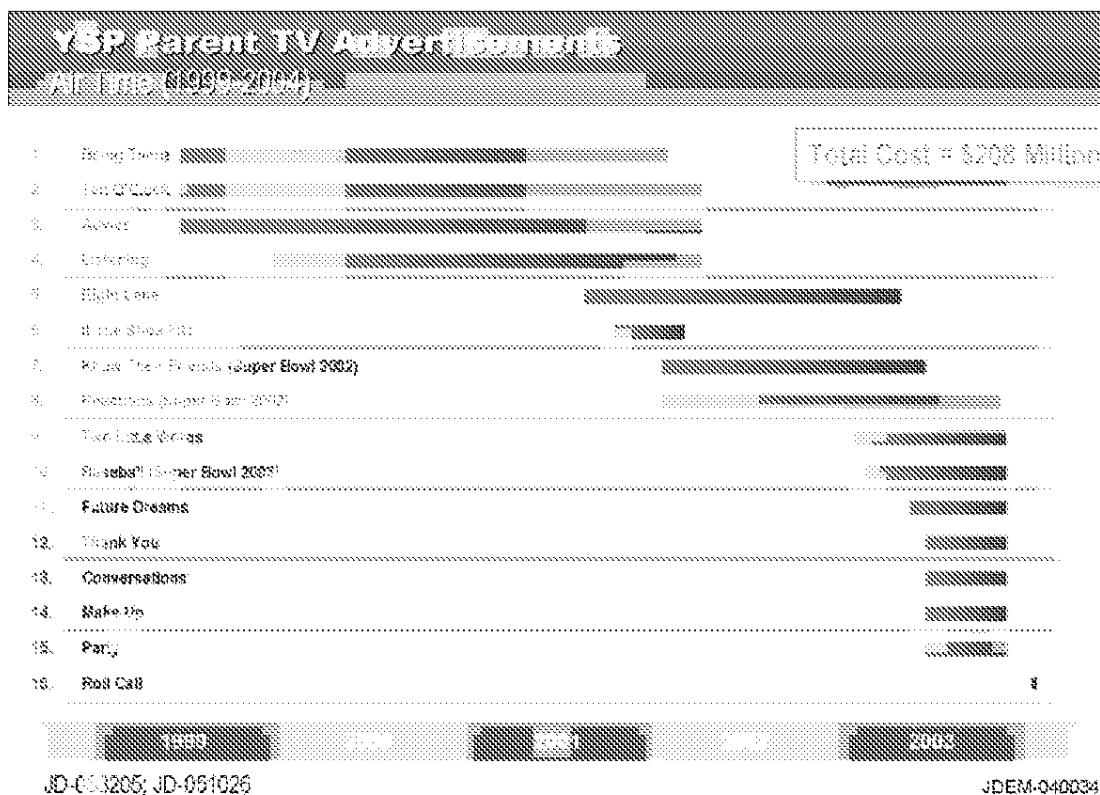
1 A. This ad reinforces the campaign theme by portraying two dads having a conversation
2 about how to connect with their kids. One dad offers the other dad the advice that he should
3 avoid speeches and listen more. He then explains this is helping him talk to his child about not
4 smoking.

5 Q: What is JDEM-040034?

6 A. It is a chart that lists all of the parent-directed television commercials and their air dates.

7 Q: Does JDEM-040034 accurately set forth the names of the parent commercials, as
8 well as their air dates?

9 A. Yes. The information for the chart is taken from JD-053205 and JD-051026, which are
10 documents that were prepared and maintained by Philip Morris USA in the ordinary course of
11 business.



1 Q: Did Philip Morris USA YSP use any other means to communicate its "Talk. They'll
2 Listen" advertising campaign to parents?

3 A. Yes, we also developed print ads as part of the "Talk. They'll Listen" advertising
4 campaign.

5 Q: How many print ads have been developed by YSP as part of the "Talk. They'll
6 Listen" campaign?

7 A. In total, we've published more than 25 print advertisements, including Spanish language
8 ads.

9 Q: Sir, I am handing you JD-055063. What is that?

10 A. The entire document is a creative history of Philip Morris USA YSP communications.
11 Pages ending in Bates numbers 8345 through 8375 are examples of print advertisement directed
12 at parents that I just mentioned. These are true and accurate copies of those print advertisements
13 that have appeared in magazines.

14 Q: When and how were the parent print ads developed?

15 A. The print ads were developed using a process similar to the one we discussed earlier with
16 regard to the television commercials.

17 Q: Can you explain how you select where these print ads will appear?

18 A. Our print advertising is placed in magazines that are popular among parents with kids
19 ages 10 to 17. The print advertising has the same theme as the TV commercials, "Talk. They'll
20 Listen." The ads are designed to encourage parents to talk to their kids about not smoking and
21 also to make parents aware of the parent brochures and the Parent Resource Center.

22 Q: What magazines have you advertised in?

1 A. Better Homes & Gardens, Ebony, Ladies Home Journal, People, Sports Illustrated, Time,
2 and US News & World Report.

3 Q: Do you know the total reach and frequency of the television and print ads?

4 A. Yes. Based on the television shows and magazines in which the advertising appears, our
5 advertising agency calculates the percentage of adults that the advertising has reached and the
6 average number of times it has reached them. In 2003, our parent television and print advertising
7 reached more than 96% of adults aged 35-54 an average of 29 times. Spanish language
8 companion advertising reached more than 90% of the Hispanic adult audience (25-54) an
9 average of 23 times.

10 Q: Mr. Willard, has Philip Morris USA tested the impact of these ads on parents?

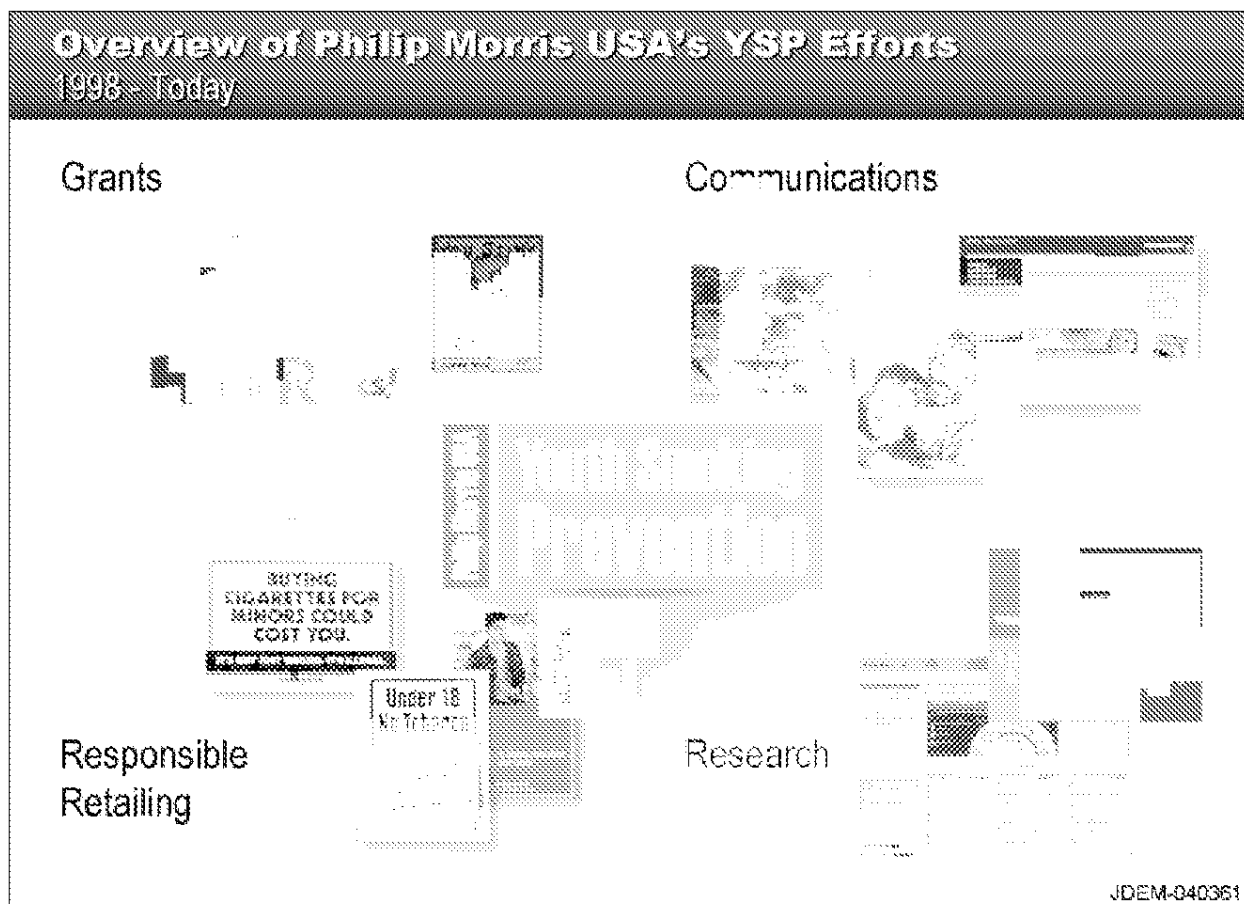
11 A. Yes. As I described, we do quantitative research with the parent audience after the ads
12 have been on the air. In this survey, 60% of parents expressed an awareness of the advertising
13 and 41% of those parents stated that they had a conversation with their child about not smoking
14 as a result of viewing the television commercial.

15 Q: What is JD-051028?

16 A. It is a copy of a report of the quantitative testing on these ads.

17 Q: Was JD-051028 prepared and maintained by Philip Morris USA in the ordinary
18 course of its business?

19 A. Yes it was.



2
3
4 Q: Mr. Willard, let's look again at JDEM-040032, which sets forth the four components
5 of the YSP strategy we just discussed. I want to talk about the third one, "Responsible
6 Retailing". What does that mean?

7 A: Essentially, it is working with retailers to prevent kids from buying cigarettes, or gaining
8 access to cigarettes in any other way in the retail environment.

9 Q: Why is Philip Morris USA involved in responsible retailing?

10 A: We believe youth access prevention is one important component of the overall effort to
11 prevent youth smoking. Impairing kids' access to cigarettes is one way among many to help
12 make sure they don't smoke. We also believe that Philip Morris USA is in a unique position to

1 contribute to this particular area of youth smoking prevention. Our company has a business
2 relationship with over 250,000 retailers that sell more than 90% of cigarettes in the United
3 States. We use these relationships to promote practices and programs that are designed to reduce
4 youth access to cigarettes.

5 Q: How does Philip Morris USA use these relationships to support youth access
6 prevention?

7 A. We do it in a variety of ways, including through our retail trade program, called Retail
8 Leaders. The Retail Leaders program provides financial incentives for retailers to implement
9 various responsible retailing and youth access prevention practices and programs. These include
10 participation in the WE CARD program, posting youth access prevention signage, using best
11 practice guides, and financial penalties for retailers that are fined or convicted of selling
12 cigarettes to minors.

13 Q: Has compliance with state minimum age laws increased?

14 A. That is certainly what the research has shown. In 1992, the federal government enacted
15 the Synar Amendment, which required states to enact minimum age laws and to take other
16 actions to prevent youth from being able to buy cigarettes at retail. Included in these other
17 actions was a requirement that states conduct "sting" operations to measure retailer compliance
18 with the minimum age laws. Since 1997, retailer compliance has steadily increased from 59.5%
19 to 86.8% in 2003.

20 1. WE CARD Program

21 Q: Let's talk about the WE CARD program. Who runs the WE CARD Program?

1 A. The WE CARD Program is run by the Coalition for Responsible Tobacco Retailing,
2 which is funded by tobacco companies and retailers. Philip Morris USA is the major financial
3 sponsor of the program.

4 Q: Can you describe the WE CARD program?

5 A. Yes. The program provides retailers with point of sale materials for use in their stores to
6 discourage and prevent youth access to cigarettes. The program also provides employee training
7 materials, including free training seminars and interactive on-line training. In addition to
8 training retailers and their employees, and providing WE CARD signage and point of sale
9 material, the Coalition for Responsible Tobacco Retailing also promotes a store policy that
10 requires customers who appear to be under 27 years of age to present a government issued photo
11 ID for tobacco purchases.

12 Since its inception, the "WE CARD" program has distributed over 900,000 program kits
13 to retailers around the country. The program kits provide the training materials for retailers.
14 Since the launch of WE CARD, the Coalition for Responsible Tobacco Retailing also has
15 sponsored over 1,550 live training seminars where more than 77,000 retailers have been trained.

16 Q: Sir, I have handed you JD-011203. Can you please tell the judge what this is?

17 A. Yes. It is a "WE CARD" kit provided to retailers in the District of Columbia.

18 Q: Can you please describe for the judge what is contained in the kit?

19 A. The kit has a number of different components including signage to notify minors that this
20 store checks identification. It also includes a calendar that makes it easy for a clerk to calculate a
21 customer's age when the customer provides date of birth information, an employee guide to
22 preventing sales to minors, information about state laws regarding tobacco sales, a law and
23 policy review, frequently asked FDA questions, as well as an option to obtain a training video.

1 Q: Are WE CARD kits available to all retailers who sell cigarettes in the U.S.?

2 A. Yes. In fact, Philip Morris USA requires retailers to post a minimum of two WE CARD
3 signs in order to have a sales force relationship with Philip Morris USA or to receive retail-
4 directed promotional support. Today we require such signage of over 250,000 retailers. In
5 addition, Philip Morris USA offers extra financial payments to retailers who participate in our
6 Retail Leaders program not only to post WE CARD signage (or its equivalent), but also to certify
7 that all of the retailer's store personnel have undergone WE CARD or equivalent training. The
8 approximately 200,000 retail accounts that participate in Retail Leaders account for
9 approximately 86% of the volume of cigarettes sold at retail in the United States today.

10 Q: What other resources are available to retailers from the "WE CARD" program?

11 A. Retailers can also go to the Coalition for Responsible Tobacco Retailing website to
12 access on-line training, a seminar schedule, law summaries concerning tobacco sales, and other
13 "WE CARD" materials.

14 Q: Mr. Willard, JD- 050981 is entitled "Employee Guide to Prevent Tobacco Sales to
15 Minors." Can you explain for the judge what this is?

16 A. This also is a part of the "WE CARD" program. It is an employee guide for retailers to
17 use in working with their employees to prevent tobacco sales to minors.

18 2. Youth Access Prevention Retailer Guide

19 Q: You also mentioned a Youth Access Prevention Retailer Guide. Can you explain
20 what that is?

21 A. This is a guide developed by the Philip Morris USA Youth Smoking Prevention
22 Department in 2003. It provides a general overview of information designed to assist retailers
23 and store personnel in preventing youth access to tobacco.

1 Q: Sir, I am handing you JD-050795 Is this a true and accurate copy of the guide you
2 are referring to?

3 A. Yes.

4 Q: How was this guide developed?

5 A. In 2003, representatives from Philip Morris USA met with major retailers to see what
6 State Attorneys General and law enforcement officials were recommending regarding youth
7 access prevention. This is a compilation of the information we collected regarding the best
8 practices for youth access prevention.

9 Q: How was the guide distributed?

10 A. The Guide as been distributed to our key accounts.

11 3. Underage Cigarette Sales Prevention Policy

12 Q: You also discussed financial penalties for retailers that are fined and convicted for
13 selling cigarettes to kids. Can you tell me about that?

14 A. Philip Morris USA has an Underage Cigarette Sales Prevention Policy. Upon
15 notification from state enforcement agencies, Philip Morris USA imposes financial penalties on
16 stores that have been fined for or convicted of violating minimum-age cigarette sales laws. The
17 penalties are in the form of Philip Morris USA withholding promotional and merchandising
18 payments for specified periods of time. Repeat offenders face higher penalties, up to termination
19 from our Retail Leaders Program for up to a full year. We believe that this system provides an
20 additional incentive – that is, in addition to potential fines and criminal penalties the government
21 imposes – for retailers to make sure their clerks are responsibly selling cigarettes and avoiding
22 sales to kids.

23 Q: How do you go about implementing this program?

1 A. We have been actively working with the States to establish better processes for the states
2 to provide us with the fine and conviction information necessary for us to impose financial
3 penalties on retail stores. I made a presentation to the National Association of Attorneys General
4 ("NAAG") in November 2002, in which I expressed Philip Morris USA's desire to work
5 constructively with state enforcement agencies to obtain this information on a timely basis so
6 that our policy can have greater impact. We followed up after that meeting with the states, and
7 asked for assistance. Since then, as I noted above, we have been getting more states on-board to
8 report this information. Today, approximately 17 States have agreed to report violations to us.
9 We are actively working to increase that number further.

10 4. Philip Morris USA Access Prevention Signage

11 Q: Mr. Willard, what is the most common way for kids to obtain cigarettes?

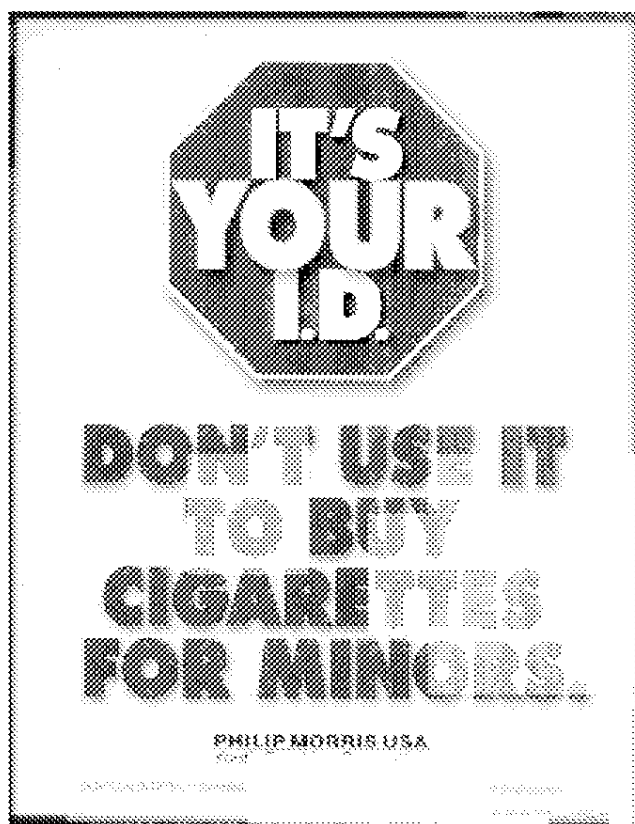
12 A. According to the CDC's Youth Risk Behavior Surveillance Survey, approximately 30%
13 of minors who currently smoke get their cigarettes by giving someone else money to buy them.
14 This is the most common way kids get access to cigarettes today.

15 Q: Is Philip Morris USA doing anything in this area of youth access prevention?

16 A. Yes. YSP has created signs for retail stores that discourage adults from buying cigarettes
17 for kids.

18 Q: Did you bring a sign with you today?

19 A. Yes.



- 1
- 2 Q: Is JD-055080 at PM3002959576 one of the signs you were referring to?
- 3 A: Yes. This is the latest version that was designed last year and started to be distributed to
- 4 retailers in January of this year.
- 5 Q: What is the message conveyed in these materials?
- 6 A: These signs are intended to remind adults who may be thinking of buying cigarettes for
- 7 kids that they are doing something wrong and, in most states, something illegal.
- 8 Q: Can you tell me more about JD-055080?
- 9 A: One of the signs says "Don't buy cigarettes for kids. It's not just wrong, it's illegal." We
- 10 use this sign in states where it is illegal for adults to purchase cigarettes for kids. The sign

1 above, which says "It's your ID, don't use it to buy cigarettes for kids," tested almost as well. We
2 use this sign in states where it is not actually illegal to purchase cigarettes for underage kids.

3 Q: You mentioned research. Can you explain for the Court the research you conducted
4 with regard to these new signs?

5 A. Yes. We developed these new signs based on research among those adults we considered
6 most likely to be asked to buy cigarettes by a minor, namely those of legal age up to 24. We
7 conducted both qualitative and quantitative testing before the signs were distributed. Both signs
8 tested very well. For example, in quantitative testing, for the sign we use in states where it is
9 illegal buy cigarettes for minors, 97% of the respondents correctly identified the main message
10 as "it's illegal to buy cigarettes for minors" and "you should not buy cigarettes for minors."

11 Similarly, for the sign we use in the few states where it is not actually illegal to buy cigarettes for
12 a minor, 98% of the respondents correctly identified the sign's main message as "you should not
13 buy cigarettes for minors" and "don't use your ID to buy cigarettes for minors." True and correct
14 copies of reports of these quantitative tests titled 3rd Party POS Communication Check and PM
15 USA YSP Access Prevention POS Evaluation, which were prepared and maintained in the
16 ordinary course of Philip Morris USA's business, are JD-055070 and JD-055071.

17 Q: How are these materials distributed?

18 A. YSP works with the Philip Morris USA Sales Department to have these signs placed at
19 retail stores. Everyone in the Philip Morris USA Sales Force is asked to help prevent youth
20 smoking in this way, as well as in the other ways I've previously mentioned. As I mentioned
21 earlier, posting these signs is a requirement to participate in the Retail Leaders program.

22 Q: Is Philip Morris USA doing anything to promote youth access prevention with
23 retailers with whom Philip Morris USA's sales force does not have a relationship?

1 A. Yes. We are currently in the process of distributing through direct mail a new kit to the
2 largest cigarette retailers with whom we do not have a sales force relationship. The kit includes
3 WE CARD materials, information and best practices regarding youth access prevention, a test a
4 retailer can use with its clerks to measure their knowledge of youth access prevention practices,
5 and a sign to discourage adults from buying cigarettes for minors. JD-055080, Educational
6 Materials for Responsible Tobacco Retailing, JD-055081, WE CARD Proficiency Test, JD-
7 055082, PM USA Youth Access Prevention Retailer Best Practices, are true and exact copies of
8 some of the materials included in the kit, along with the POS signs and WE CARD materials I
9 have just discussed.

10 G. Research

11 1. Literature Reviews
12

Abstract

Grants

Communications

Responsible Retailing

Research

JDEM-040363

Q: Mr. Willard, let's look again at JDEM-040032, which lists the four components of the YSP strategy we just discussed. I want to talk about the last one, "Research". Can you please explain what the YSP Research Group does?

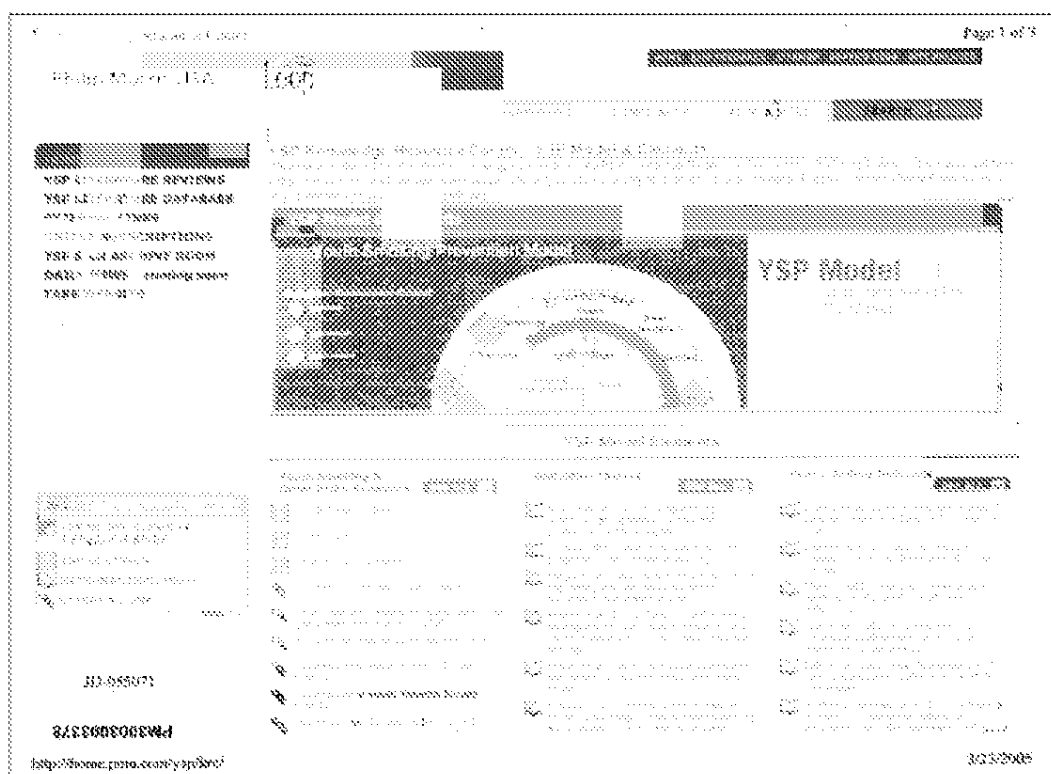
A. YSP has developed and maintains what we call internally the “Knowledge Resource Center,” which is a computer database of published academic and scientific literature and national studies regarding youth smoking prevention and positive youth development. We also conduct our own custom research, such as our Teenage Attitudes and Behavior Survey (“TABS”). Finally, as I alluded to earlier, we conduct research to test our various YSP communications.

Q: Can you please describe the Knowledge Resource Center?

A. The Knowledge Resource Center is a historical archive of over 2000 articles and studies regarding youth smoking prevention and positive youth development issues that is available exclusively to YSP. The Research Group updates this database monthly with new literature and internally circulates a summary of significant new additions to the database to enable YSP members to keep abreast of developments in their area of focus. Among other resources, the Knowledge Resource Center also provides links to on-line subscriptions for academic journals, as well as 19 links to related websites, including national study findings and other efforts aimed towards youth smoking prevention.

Q: I am showing you JD-055071. Can you please describe what this is?

A. It is a representation of the home page for the Knowledge Resource Center.



Q: How important is the Knowledge Resource Center to YSP?

1 A. It is critically important. The foundation for our youth smoking prevention efforts is built
2 on information we learn in the academic and scientific literature. We invest significant resources
3 to understand the historical research and stay abreast of new developments as they occur. We
4 are always looking for new ideas that might help us improve the impact of our youth smoking
5 prevention efforts.

6 2. TABS

7 Q: The second category of research you mentioned was custom research. What is that?

8 A. In situations where we have questions that are not answered by existing studies or
9 literature, we will work with research vendors to develop a custom study. An example of this is
10 our Teenage Attitudes and Behavior Survey, which we refer to as TABS.

11 Q: Would you please describe what TABS is?

12 A. TABS is YSP's study of youth smoking prevalence and youth attitudes toward smoking.
13 It is a comprehensive, continuous telephone survey of youth aged 11 to 17 conducted by an
14 independent research firm on behalf of YSP. TABS includes information from approximately
15 20,000 respondents each year.

16 Q: When did Philip Morris USA begin conducting the TABS research?

17 A. February 1999.

18 Q: What is the cost to Philip Morris USA to conduct the TABS research?

19 A. In 2004, we spent about \$3 million.

20 Q: Why does YSP study youth smoking prevalence and youth attitudes toward
21 smoking?

22 A. In order to develop the most effective youth smoking prevention programs, we need
23 timely information on why kids smoke. We also have to be aware of new and changing trends on

1 this issue. TABS research enables YSP to understand what may differentiate youth who don't
2 smoke from those who do. That provides key insight into what types of messages and programs
3 may be effective in preventing youth smoking.

4 Q: How does YSP utilize TABS to improve the effectiveness of their communications
5 and programs?

6 A. For instance, our development of advertising that reminds parents to stay involved in
7 their kids' lives was due in part to TABS data indicating that youth who have a positive
8 relationship with their parents may be less likely to smoke.

9 We learned from the TABS data that kids who are engaged in a variety of organized
10 after-school activities are less likely to smoke than those that are not. This was one piece of
11 information that informed our decision to support after-school activities through our grant
12 program.

13 Q: Aren't there other studies available that provide information similar to TABS?

14 Although there are several surveys that collect youth smoking information, such as
15 Monitoring the Future, published by the University of Michigan, and YRBSS published by the
16 CDC, TABS provides information that is different and complementary to the existing research.
17 For example, Monitoring the Future collects data regarding illicit substance use from 8th, 10th,
18 and 12th graders generally through an in-school survey. YRBSS collects data from 9th through
19 12th graders regarding a range of risky behaviors that includes not only smoking and drug use,
20 but also includes sexual behavior and physical violence. In contrast, TABS is focused solely on
21 youth smoking prevention and collects data from 11 to 17 year olds. We find that TABS' focus
22 on our mission of youth smoking prevention and a wider age range is more suited to our needs
23 and also complements the information provided by Monitoring the Future and YRBSS. Further,

1 by conducting our own research the information is available to us with a significantly shorter lag
2 time than the information available from other studies. Having access to such information
3 quickly is important. For instance, in mid-2003 we spotted a trend that smoking among older
4 boys was not on the decline, and possibly was even on the increase. We quickly went to the
5 CDC with the information. Fortunately, by the end of 2003, the trend came back down, and
6 continued to decline into 2004.

7 Q: What topics does TABS cover?

8 A. TABS research covers a wide variety of topics relevant to youth smoking, such as initial
9 use of cigarettes; youth access to cigarettes; reasons for smoking or not smoking; influence of
10 smoking by family and friends; and beliefs about risky behaviors. To date, we have published
11 five TABS reports.

12 Q: Mr. Willard, does the YSP Website have available on it for download copies of
13 TABS Reports? (JD-055059)

14 A. Yes. There are five reports available on the website.

15 Q: Can you explain briefly for the judge what these reports cover?

16 A. Our first report, "Overview of Youth Smoking Prevalence," provides an overview of the
17 prevalence of cigarette smoking among adolescents aged 11 to 17, highlighting differences in
18 smoking behavior across age, gender and race/ethnicity.

19 The second report, "Reasons for Adolescent Smoking," provides an overview of
20 adolescents' first cigarette trial and the reasons they give for smoking or not.

21 The third report, "Youth Smoking Prevalence Update 2002," is an update of the first
22 TABS Research Report and examines trends in youth smoking rates from 1999 through 2002.

23 The data presented in this report show that while past 30-day smoking rates among 11 to 17 year

olds have been declining steadily since 1999, there are differences in absolute smoking rates across age, gender and race/ethnicity. This data suggests that "one size fits all" youth smoking prevention efforts may not be as effective as customized programs that take into account the specific needs of the target audience.

The fourth report, "Youth Access to Cigarettes," details the ways in which youth obtain cigarettes, including getting them from friends' and family members' packs, having someone else purchase the cigarettes and purchasing cigarettes for themselves. Youth were asked to identify which family members' pack they obtained cigarettes from and whether or not that family member was aware that they took their cigarettes. The results show that as age and smoking frequency increase, youth are more likely to purchase cigarettes for themselves and are more likely to obtain cigarettes through multiple sources. The results also show that individuals who purchase cigarettes for minors are most likely to be in the 18 to 29 year old age range.

Our latest report was recently issued with 2003 results. This report, "Youth Smoking Prevalence Update 2003," is an annual update of the TABS Research Reports (Reports #1 and #3) on Youth Smoking Prevalence, examining trends in youth smoking rates from 1999 to 2003. The data presented in this report show that past 30-day smoking rates among 11 to 17 year olds have continued to decline since 1999 and highlights differences by age, gender and race/ethnicity.

Q: How is the TABS data collected?

A. The survey is conducted daily via telephone and has been in continuous operation since February 1999. Approximately 20,000 interviews with youth are completed each year with the permission of a parent or guardian of each respondent. The interviewers do not identify who the sponsor of the survey is unless asked. This is standard methodology to minimize any potential

1 bias in the survey. TABS asks youth about a broad range of topic areas including their activities,
2 interests, attitudes about themselves, parents and school, and cigarette smoking behavior.

3 The TABS survey was designed with the assistance of Research International, an
4 independent market research firm. Research International conducts the survey on behalf of the
5 Philip Morris USA Youth Smoking Prevention department.

6 Q: Are the results of the TABS study publicly available?

7 A. Yes. The results are accessible through the Philip Morris USA website. There also is an
8 option on the website to join the TABS Research Report mailing list.

9 Q: Why are they publicly available?

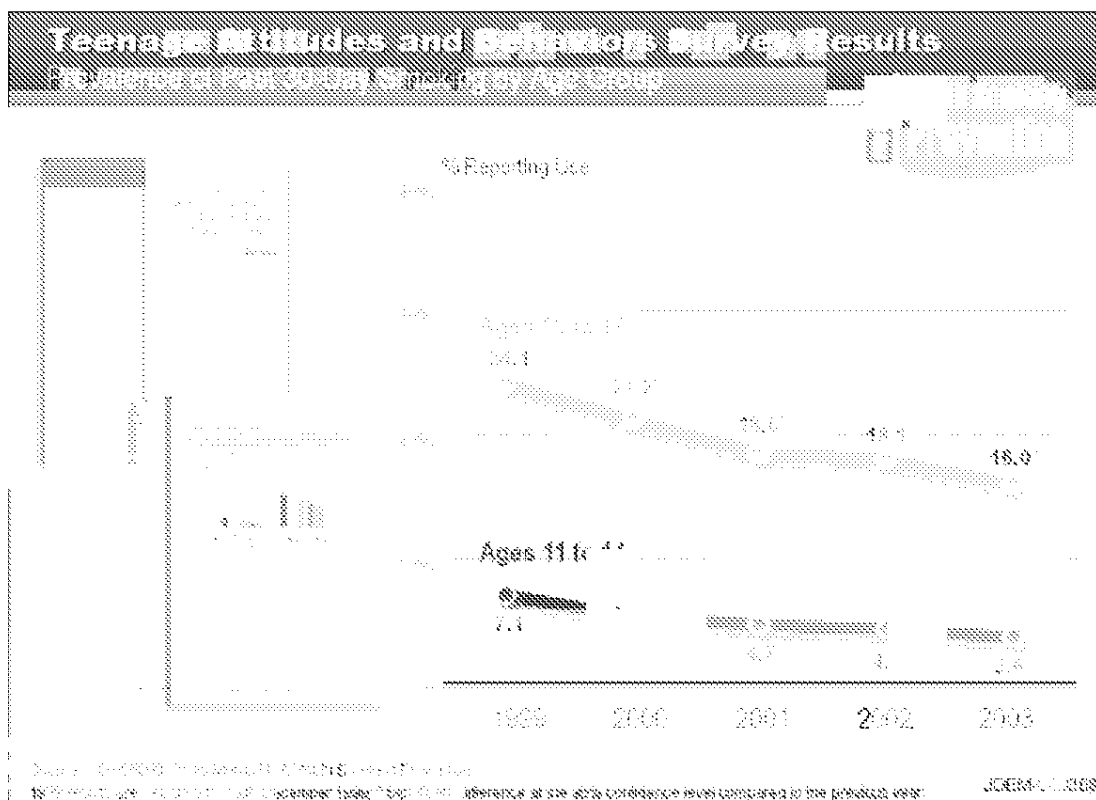
10 A. We want to enable others interested in preventing youth smoking to benefit from the
11 results of the TABS survey. In addition, it is common research practice to make your
12 questionnaire, results, and the raw data publicly available, and Monitoring the Future and
13 YRBSS also make their data available to the public.

14 Q: Did you bring some of the TABS results with you today?

15 A. Yes. I brought a chart that summarizes some of the results of the TABS research.

16 Q: Mr. Willard, I'm showing you a chart that has been marked JDEM-040368. Can
17 you please explain this chart?

18 A. It is a chart depicting data from our TABS surveys entitled: "TABS Results - Prevalence
19 of Past 30-Day Smoking by Age Group." The chart is on our website and was extracted from
20 JD-053199. This chart, based on TABS research, demonstrates the downward trend in teen
21 smoking rates from 1999 to 2003.



3. Recent Reduction in Youth Smoking

Q: Is TABS the only study that has found that youth smoking rates are declining?

A. No. Other studies like the University of Michigan's Monitoring the Future Study and the CDC's Youth Risk Behavior Survey have found that youth smoking rates are declining.

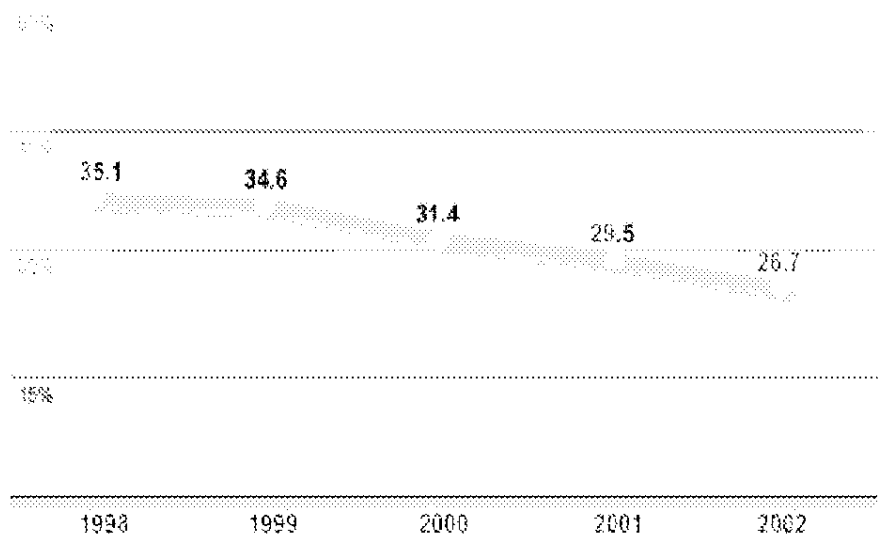
Q: Have you brought a chart with you today, describing the results of the University of Michigan study of cigarette use among kids?

A. Yes.

Q: Mr. Willard, I am handing you a chart from the YSP section of the www.pmus.com website, JD-053199. Is this the chart you are referring to?

A. Yes.

Past 30 Day Smoking Rates (High School Seniors) 1998-2002



Source: Monitoring the Future: National Results on Adolescent Drug Use, 2002

JD-043331; JD-046384

JDEM-040189

Q: Is this Monitoring the Future study regarded as a leading survey on the subject of youth cigarette usage?

A. Yes, it is one of the longest running annual surveys of youth behavior and attitudes.

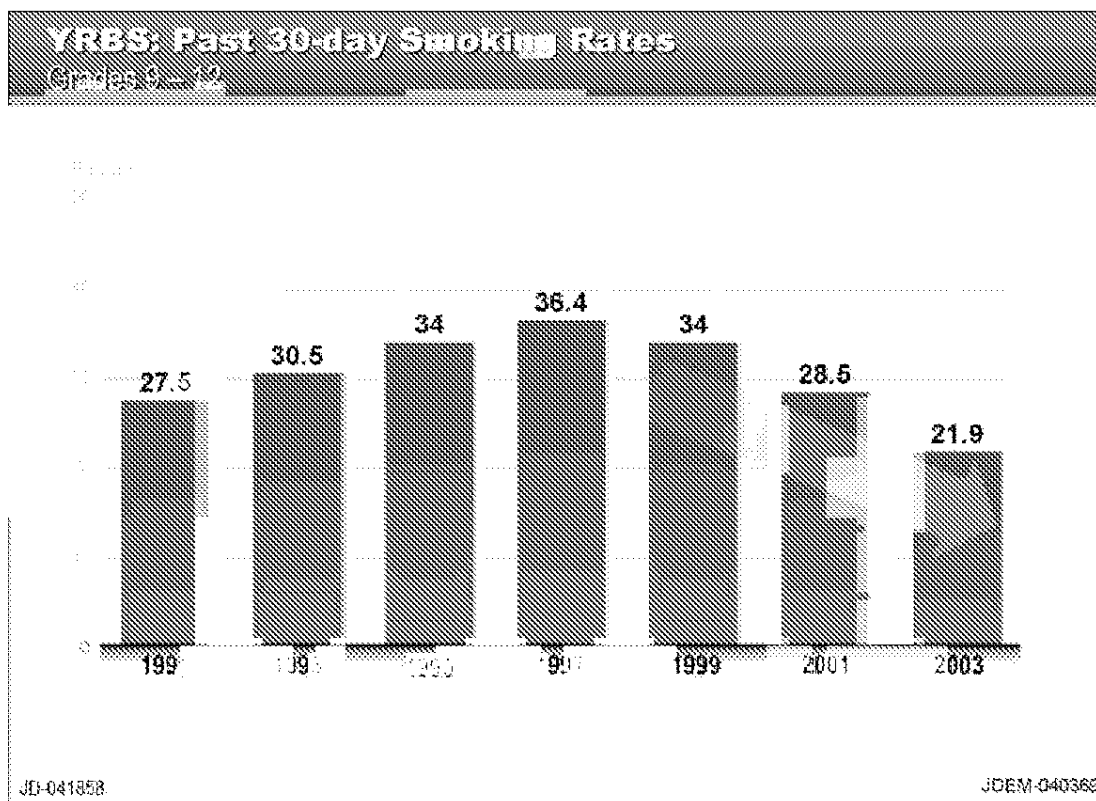
Q: Can you describe the trends it depicts?

A. Yes. Past 30 day cigarette usage has declined in all grades studied since 1998, the year YSP was created, with the exception of the 2004 data for 12th Graders. In this instance there was no statistically significant change for past 30 day cigarette usage among 12th Graders.

Q: You also mentioned the CDC Youth Risk Behavior Survey. Have you brought a chart with you today, describing the results of the CDC study of cigarette use among high school students, grades 9 to 12?

A. Yes.

- 1 Q: Sir, I am handing you a chart from the YSP section of the www.pmus.com website,
2 JD-053199 Is this the chart you are referring to?
3 A. Yes.



- 4
5 Q: Can you describe the trends it depicts?
6 A. This chart shows that since 1997, smoking rates among students in grades 9 through 12
7 have decreased.
8 Q: What does the most recent data show?
9 A. Based on the most recent data, although rates have generally continued to trend
10 downward, the rate of decline appears to have slowed.
11 Q: Do you think that Philip Morris USA's YSP efforts have contributed to the decline
12 in youth smoking rates over the years?

1 A. I do. YSP is just one of many public and private sector organizations that are focused on
2 reducing youth smoking. Although it is very difficult to connect specific declines in youth
3 smoking rates directly to the efforts of these organizations, I do believe that the efforts of Philip
4 Morris USA have helped contribute to the decline. Of course, we believe that there is more work
5 to be done and we look forward to working on this issue in the years ahead.

6 4. Qualitative and Quantitative Communications Research

7 Q: Does the YSP Research Group manage the quantitative and qualitative research on
8 YSP communications that you described earlier in your testimony?

9 A. Yes.

10 Q: Who actually conducts these tests?

11 A. Several external marketing research organizations conduct the research and summarize
12 the results.

13 Q: Why is this research important?

14 A. Communications research is used throughout the communications development process
15 to help make sure the communications we air are effective at delivering the message we intend –
16 like it's important to talk to your kids about not smoking.

17 H. Criticism of PM USA YSP Program

18 Q: Mr. Willard, let me first ask you, are you proud of what the Philip Morris USA's
19 YSP has accomplished?

20 A: Yes, I am. I know that some of our critics do not like what we do in the area of youth
21 smoking prevention, and that some of our critics would even prefer that we not be involved in
22 this issue at all. I see things differently. Youth smoking prevention is an integral part of the
23 Mission and Values of Philip Morris USA. I have devoted most of my professional energies

1 during the past three years to accomplishing that Mission. I believe we have done a good job of
2 building on the work of my predecessor, Carolyn Levy. We have developed a program that has
3 played a meaningful part in helping bring youth smoking rates in this country to historic lows.
4 We are very excited about the good work our grantees are doing for kids across the country to
5 develop skills to cope with many challenges, including keeping them from smoking. We believe
6 our parent communications are contributing in important ways to the overall youth smoking
7 prevention efforts in the United States. And our responsible retailing initiatives are important to
8 helping keep cigarettes out of the hands of kids. All in all, I am very proud of the contributions
9 our department has made and continues to make to this difficult and complex problem.

10 Q: Mr. Willard, let's discuss some of the criticisms made against Philip Morris USA's
11 YSP. First, are you aware of the criticism by the American Legacy Foundation of Philip
12 Morris USA's "Think. Don't Smoke" campaign?

13 A. Yes. I am aware of an article by Matthew Farrelly, Cheryl Heaton, and others titled
14 "Getting to the Truth: Evaluating National Tobacco Countermarketing Campaigns," which was
15 published in the June 2002 issue of the American Journal of Public Health. (JD-065578).

16 Q: Would you please generally describe American Legacy Foundation's criticisms?

17 A. I think it's important to distinguish between what the American Legacy Foundation said
18 publicly about the study, and what the study itself actually said. When the study was published,
19 American Legacy Foundation held a press conference to announce that this research found that
20 the "Think. Don't Smoke" advertisements not only were not effective in reducing youth smoking,
21 but that they made it more likely that kids will smoke in the future.

22 The actual study, by contrast, reached a more qualified conclusion. That study used the
23 results of two surveys of youth ages 12 to 17 to, among other things, measure the awareness of

1 Philip Morris USA's "Think. Don't Smoke" and American Legacy Foundation's "truth®"
2 campaign. The research attempted to determine whether youths who said they were aware of
3 these campaigns were more or less likely to have certain attitudes about tobacco companies and
4 smoking and whether they were more or less likely to state an intention to smoke in the future.
5 (JD-065578 at 901). The article reported that kids who were exposed to "Think. Don't Smoke"
6 advertisements were more likely than those who had not reported awareness of these
7 advertisements to have more favorable attitudes toward smoking and tobacco companies. In
8 addition, the report concluded that those non-smoking youths who were exposed to the "Think.
9 Don't Smoke" advertisements were more likely to say they intended to smoke in the next year, as
10 compared to non-smoking youths who were not exposed that those advertisements. (JD-065578
11 at 905).

12 Q: When did Philip Morris USA learn about American Legacy Foundation's charge?

13 A. Philip Morris USA first heard about these findings in October 2001, approximately seven
14 months before the article was published. American Legacy Foundation reported its findings in a
15 presentation at the triennial meeting with the NAAG, which is a regularly scheduled meeting to
16 report on progress under the Master Settlement Agreement.

17 Q: What was Philip Morris USA's reaction when it heard of American Legacy
18 Foundation's assertion?

19 A. The company was very surprised, to say the least. The research results that the American
20 Legacy Foundation reported at the Triennial Meeting seemed quite counter-intuitive to us, given
21 the academic literature supporting the "Think. Don't Smoke" approach to youth smoking
22 prevention. The central purpose and intent of the "Think. Don't Smoke" campaign was to
23 convince kids that smoking is not "cool" and they should not and do not need to smoke to define

1 themselves. This strategy was chosen by Carolyn Levy based on published peer-reviewed
2 academic research. In addition to this support in the academic literature for the program, Philip
3 Morris USA conducted extensive testing of the advertisements before they went on the air. This
4 testing confirmed that kids overwhelmingly received a “don’t smoke” message from these ads.
5 On the basis of this research, we believed our advertising campaign was effective and sound.
6 (JD-050578).

7 Q: What did Philip Morris USA do?

8 A. We took a number of steps. Immediately after Dr. Heulton announced the results of the
9 research in October 2001, Carolyn Levy directed that the "Think. Don't Smoke" advertisements
10 referenced in the presentation stop airing. Next, we attempted to engage with Dr. Heulton to
11 better understand the data and analysis that led to the conclusions she had announced. For
12 example, Carolyn Levy and others from Philip Morris USA's YSP met with American Legacy
13 Foundation on December 17, 2001. JD-055085, 055086, and 055087 are three letters exchanged
14 between Philip Morris USA and American Legacy Foundation regarding this issue. Each of
15 these exhibits was created and/or maintained in the ordinary course of Philip Morris USA's
16 business and I reviewed these letters in the course of work in YSP. This began a dialogue that
17 continued over the next year or so in an effort to better understand the research.

18 Q: What happened during this dialogue?

19 A. I became personally involved in February of 2002 when I assumed Carolyn's
20 responsibilities as head of YSP. I understand that, at the December 17th meeting, American
21 Legacy Foundation provided a copy of the survey instrument or questionnaire as well as a brief
22 overview of the approach and outcomes of American Legacy Foundation's analysis. However, at
23 the time and for the following six months, American Legacy Foundation did not provide us with

1 the actual respondent-level data or the details of the analysis that led to its conclusions. Only
2 after the article was published in May 2002 did American Legacy Foundation make the raw data
3 – though not the complete details of the methodology of the survey or the analysis of the data –
4 publicly available.

5 Q: As Philip Morris USA learned more about the study, what did it find?

6 A: We had discovered from the Legacy Media Tracking Survey ("LMTS") questionnaires
7 that the first baseline survey (LMTS-I) – had excluded 6 of the 8 "Think. Don't Smoke" ads that
8 were running during the relevant time the survey was conducted and included one Philip Morris
9 USA advertisement that was not part of the "Think. Don't Smoke" campaign. (JD-055088). In
10 addition, LMTS-II, the survey used as a basis to compare the effect of the advertising campaigns,
11 asked respondents about only 3 of the 12 "Think. Don't Smoke" advertisements on the air at the
12 time and included a fourth that was not on the air at that time. In short, both waves of the survey
13 used as the basis for the article failed to measure aided awareness of 75% of the "Think. Don't
14 Smoke" ads on the air at the time. My predecessor, Dr. Levy, advised Dr. Heaton of this issue
15 in a letter dated February 21, 2002. (JD-055088).

16 Q: Why is it significant that the study relied on questionnaires that excluded those
17 "Think. Don't Smoke" ads?

18 A: It raised serious questions from a methodological standpoint. One of the stated purposes
19 of the research was to compare attitudes of two categories of kids: those who were aware of the
20 "Think. Don't Smoke" campaign and those who were not. The problem is that the survey they
21 relied upon failed to include three-quarters of the advertisements in our campaign when
22 measuring aided awareness. As a result, the research almost certainly misclassified the
23 respondents. That is, respondents who were not aware of the few ads included in the

1 questionnaire but were aware of some or all of the other 75% of ads that were excluded from the
2 questionnaire would have been classified inaccurately, as “unaware” of the “Think. Don’t
3 Smoke” campaign. Once this mistake is made, it becomes hard to do what the research said it
4 was trying to do – draw a reliable correlation between ad awareness and attitudes – since,
5 obviously, awareness has not been measured reliably.

6 Q: Prior to the publication of the study, were the authors of the study and American
7 Legacy Foundation aware that the majority of the "Think. Don’t Smoke” ads were
8 excluded from the questionnaire?

9 A: Yes. Philip Morris USA advised American Legacy Foundation that only a minority of
10 "Think. Don't Smoke" ads had been included in the survey. By letter dated March 28, 2002 –
11 two months before the article was published – Cheryl Heaton acknowledged that not all of the
12 "Think. Don't Smoke" ads were included in the survey. (JD-52681). JD-52861 is a true and
13 correct copy of that letter, which Philip Morris USA received and maintained in the regular
14 course of conducting its business.

15 Q: What happened when the article was published in June 2002 – was the article
16 consistent with the presentation at the Triennial Meeting or American Legacy
17 Foundation's public statements about the results of the study?

18 A. The article was quite different in focus than the presentations American Legacy
19 Foundation had made prior to publication, not to mention the press statements it made when the
20 article was published. For example, the text of the article does not state the conclusion that
21 "Think Don't Smoke" is counterproductive – that language appears only in the abstract. Instead,
22 the focus of the text of the article is on the effects of the two campaigns – the “truth” campaign
23 and the “Think. Don’t Smoke” campaign – on specific attitudes of youth toward tobacco

1 companies and smoking. The article devotes only one sentence to the negative effects on future
2 intent to smoke from the "Think. Don't Smoke" campaign:

3 In contrast, exposure to 'Think. Don't Smoke' was associated with
4 an increase in the odds of youths' intending to smoke in the next
5 year ($P < .05$), and the dose-response relationship was statistically
6 more robust ($P < .02$). (JD-065578).

7 By comparison, American Legacy Foundation's press release stated:

8 "Presenting ground breaking research that Philip Morris USA's youth anti-smoking ads make it
9 more likely that kids will smoke in the future, the American Legacy Foundation® (Legacy)
10 today urged Philip Morris USA to pull its ads off the air and stop undermining Legacy's truth®
11 anti-smoking campaign. . . . 'The results are in and the evidence is clear,' said Cheryl Heaton,
12 Dr.P.H., Legacy's President and CEO. Philip Morris USA's 'Think Don't Smoke' effort parades
13 as a youth anti-smoking campaign, but it's really a wolf in sheep's clothing. Philip Morris USA
14 should pull its 'Think. Don't Smoke' ads off the air."

15 In addition, American Legacy Foundation's press release at the time the article was
16 published did not refer to the article's conclusion that youths' attitudes toward the tobacco
17 industry do not represent a test of the success of its campaign. Nor did that press release mention
18 that the study had concluded that youth exposed to "Think Don't Smoke" were more likely to
19 agree that "Not smoking is a way to express my independence," which was actually a theme of
20 the "Think. Don't Smoke" campaign and thus a potential indication of the advertisements'
21 effectiveness.

22 Q: Did the article address that the LMTS survey questionnaire had excluded 75% of
23 the "Think. Don't Smoke" ads in any way?

24 A. No it did not. In fact, when the article was published in May 2002, I was very surprised
25 to see that the article stated in its text – in the section explaining the methodology for testing

1 aided and unaided awareness for both the “truth” and the “Talk. They’ll Listen” campaigns – that
2 “Questions pertaining to the various advertisements were presented in random order to control
3 for order effects *and included all advertisements from both campaigns aired within 6 weeks of*
4 *the survey’s start.*” (emphasis added). (JD-065578 at 902). This was inaccurate. As discussed
5 above, the survey instrument did not include “all” of the “Talk. They’ll Listen” ads, but rather
6 excluded about three-quarters of the ads that ran during that period. What was especially
7 puzzling to us was that we had advised the American Legacy Foundation of this gap months
8 earlier, and the American Legacy Foundation had confirmed that the survey did not include “all”
9 ads.

10 Q: You stated earlier that the raw data for the study was released at the time of
11 publication. What if anything did that data show?

12 A: We analyzed the respondent-level data in an effort to continue to seek clarification and
13 information about the methodology. We discovered a number of other issues with the study.
14 Although most of those are technical statistical issues I am not able to address, the importance of
15 at least one of these issues was readily apparent, even to a non-scientist. I understand that, due to
16 the way that the youths were selected for the survey, some respondents were given more weight
17 than others. Weighting can be an appropriate technique in survey research in certain
18 circumstances. What was surprising in this survey is that a small percentage of respondents were
19 given up to 2000 times the weight of the majority of the respondents. Furthermore, when we
20 analyzed the data, we determined that the conclusions of the article regarding “Think. Don’t
21 Smoke” were dependent on the responses of a handful of the most heavily weighted individuals.
22 In particular, five of the most heavily weighted respondents expressed an intent to smoke in the
23 future of which four were classified as aware of “Think. Don’t Smoke” advertisements. We

1 further discovered that if one or all of these respondents were classified as not aware of "Think.
2 Don't Smoke," the result would not have been statistically significant. In short, the use of
3 extreme weighting on just a handful of the thousands of respondents made the difference in the
4 outcome of the research.

5 The impact of extreme weighting on the outcome is clearly a warning flag for the study –
6 one that requires further explanation by the researchers who conducted it. Weighting can be an
7 appropriate statistical tool in some contexts, but when it makes the difference in the research
8 outcome by so small a margin – the statistical significance of the result turns literally on just a
9 single extreme-weighted respondent – more explanation is usually required. Although we
10 attempted to get more information on this issue from Dr. Farrelly, we never received a full
11 explanation for the weighting methodology used.

12 Q: Did the American Legacy Foundation ever acknowledge or correct these issues?

13 A. Not to my knowledge. We did suggest that American Legacy Foundation file a
14 correction with the American Journal of Public Health to clarify issues in the paper. In February
15 19, 2003, Legacy did file a correction, which noted typographical errors that Philip Morris USA
16 had pointed out earlier, but surprisingly made no mention of other substantive issues we had
17 raised by then, including the exclusion of "Think. Don't Smoke" ads from the survey. (To be
18 clear, the specific issues we found regarding the use of extreme weighting had not been raised
19 with American Legacy Foundation as of the time they submitted the correction in February
20 2003).

21 Q: What was Philip Morris USA's interest in carrying out this dialogue with American
22 Legacy Foundation?

1 A. As far as we were concerned, our primary interest was not in engaging in a public dispute
2 with American Legacy Foundation over this issue. As we told American Legacy Foundation, we
3 simply wanted to understand the data and the analysis. It is my belief, however, that there are
4 flaws in the methodology of the study that undermine its conclusions.

5 We eventually prepared an article addressing the methodological issues I described
6 earlier. We did this after the American Legacy Foundation advised us that it would no longer
7 continue direct discussions with us regarding the study and recommended that we submit for
8 publication in the American Journal of Public Health any criticisms or questions we had. We did
9 submit an article to that journal in September 2004, after our discussions on this topic with
10 American Legacy Foundation concluded. The American Journal of Public Health declined to
11 consider the article after an internal editorial review. In addition to citing its general editorial
12 considerations, the journal advised us that rejoinders to articles should take the form of letters to
13 the editor and should be submitted within three months of publication of the original article, and
14 our article was submitted well past that time.

15 Q: Do you know what JD-055083 is?

16 A. Yes, JD-055083 a true and accurate copy of this correspondence from the American
17 Journal of Public Health, which was created or received and maintained in the regular course of
18 Philip Morris USA's business. As suggested by the journal's response, we have resubmitted the
19 manuscript for publication with another journal.

20 Q: What else have you done as a result of this research?

21 A: In December 2002, I attended an informal meeting with NAAG. Although the meeting
22 was held for other reasons, I thought it was important to provide the Attorneys General with an
23 update on the Legacy "Think. Don't Smoke" research – and our perspective on it – since

1 American Legacy Foundation had first announced the results of this research a year earlier at the
2 NAAG Triennial meeting. JD-046546 is a true and correct copy of the presentation I gave at that
3 meeting.

4 Q: Do you believe that the "Think. Don't Smoke" campaign was ineffective and may
5 have been counterproductive?

6 A. No. All of our advertising is extensively researched prior to airing to make sure that the
7 intended message is received by our audience. This includes the advertisements we ran as part
8 of our "Think. Don't Smoke" campaign. Our research on that campaign showed that the
9 advertisements in that campaign effectively and overwhelmingly delivered a "don't smoke"
10 message to kids. (JD-050578). In addition, the methodological issues with the Farrelly-Healton
11 study that I have described have not been addressed or explained. Further, recent scientific
12 literature published this year by independent parties, including an article authored by W. Douglas
13 Evans of RTI International (the organization for which Matthew Farrelly works and which
14 performed the analyses in the 2002 American Journal of Public Health article) has added to the
15 literature on this issue. JD-055084 is a true and correct copy of this article, which is maintained
16 by Philip Morris USA in the ordinary course of business, and which I reviewed in the course of
17 my duties as head of YSP. In that article, the authors note that the intent and effectiveness of
18 "Think. Don't Smoke" and other tobacco industry youth prevention advertising has been
19 questioned by Farrelly and Healton. One hypothesis for this criticism is that such tobacco
20 industry ads are intended to clutter the communication environment to negate the benefits of
21 campaigns like "truth®". That is certainly not the intent of Philip Morris USA's YSP advertising
22 efforts. In any event, the authors conclude:

23 We also found that industry countermarketing is associated,
24 however, with reduced smoking uptake, at least when mediated by

1 truth® brand equity. Thus, one must ask whether such campaigns
2 actually deliver countervailing messages. The nature and
3 effectiveness of messages delivered by industry countermarketing
4 require further investigation.

5 This independent peer-reviewed research suggests that "Think. Don't Smoke" did in fact
6 contribute to reducing youth smoking. It certainly does not support the claim that "Think. Don't
7 Smoke" advertisements increased youth smoking. It also supports my belief that a variety of
8 youth smoking prevention programs is more effective than a single approach from one source.

9 Q: What about other complaints the American Legacy Foundation has had about
10 "Think. Don't Smoke" ?

11 A. The American Legacy Foundation also has alleged that we were not sincere in our efforts
12 with the "Think. Don't Smoke" campaign, and that in fact, the campaign was only a public
13 relations vehicle for Philip Morris USA.

14 Q: Do you agree with that statement?

15 A No. I have spent the last three years of my life dedicated to the corporate mission to help
16 reduce youth smoking. We have a hard working, dedicated staff of people who come to work
17 each day to further that mission of Philip Morris USA. Our work is judged and evaluated based
18 on how effective we are in that regard. We are all gratified that youth smoking rates have
19 declined in the past six years. We don't take credit for that decline, but we do believe our efforts
20 have made a contribution along with the efforts of many other government and non-government
21 organizations. I think our efforts speak for themselves.

22 Q: Do you believe American Legacy Foundation is one of the organizations that has
23 contributed to the decline in youth smoking rates?

24 A. Yes I do. While we have not agreed with American Legacy Foundation on every issue,
25 that does not take away from the contributions they have made in the field of youth smoking

1 prevention. As I said earlier, I think it is very hard to attribute specific declines to specific
2 activities of individual organizations. However, I do think American Legacy Foundation has
3 played a positive role in the overall effort in the United States to bring youth smoking rates
4 down. Our disagreements over issues such as the 2002 Farrelly-Healton study should not detract
5 from that.

6 Q: Mr. Willard, are you aware that in this case Dr. Anthony Biglan criticized Philip
7 Morris USA YSP because its communications and grant recipient programs are not
8 effectively tested in order to evaluate effects on smoking behavior?

9 A. I was not aware of that testimony.

10 Q: Do you agree with this assessment of Philip Morris USA YSP advertising?

11 A. I disagree. We extensively test all of our advertisements using accepted techniques in the
12 field of communications before and after we put these communications into the market. Our
13 grants support programs that have been recognized in the academic literature as effective in
14 preventing youth smoking. In addition, programs such as Life Skills Training have been
15 recommended by numerous government agencies.

16 Q: Finally, Mr. Willard, I want to ask you a few questions about the staffing of your
17 department. There have been criticisms of Philip Morris USA's policy of rotating its YSP
18 members throughout the company. Can you explain to the Court why Philip Morris USA
19 has that policy?

20 A. Yes, I have heard that. Let me respond first by pointing out that we believe in my
21 company in providing our employees varied experiences as they progress through their careers.
22 It is very common for employees to move through a number of different functions at the
23 company over time. This is important for a variety of reasons, including helping assure that our

1 senior employees have a breadth of experience that can help them be effective and responsible in
2 carrying out their duties. YSP is no exception, nor should it be. We want talented employees
3 from other departments to come into YSP to apply their skills and abilities to our important
4 work. It would also be the wrong message to send to our employees that YSP is a department
5 that once they join, they are unable to leave to pursue other opportunities within the company.
6 And most importantly, we believe that having our employees over time join other departments
7 has been an important contributing factor in assuring that our commitment to youth smoking
8 prevention becomes embedded throughout the company.

9 We specifically address this issue with what we call our Partition Policy. This policy,
10 which every employee at Philip Morris USA is required to adhere to, ensures that information
11 from YSP is used properly and that no employee creates situations that even appear improper.

12 Q: Mr. Willard, I am handing you JD-054751. Can you tell the Court what this is?

13 A. This is our current Partition Policy. The Partition Policy specifically prohibits
14 employees from using YSP information for any improper purpose, or from creating even an
15 appearance of improper use of that information. It establishes other guidelines for handling of
16 YSP information. For example, when an employee leaves YSP to join another part of the
17 company, that person must certify that he or she is not bringing any documents or information
18 from YSP to the new position, and the employee's supervisor is required to verify that this has
19 been followed. We believe the policy is an effective way to prevent any misuse of information.
20 It is just one of the many restrictions in place – including our mission statement, our marketing
21 guidelines, and so on – that make clear to our employees that we are committed to responsibly
22 market our products only to adult smokers.

23 Q: How long has Philip Morris USA had this policy in place?

1 A. We have had a similar policy in effect since the creation of YSP. The policy has evolved
2 over time and gone through several iterations, but there has always been a policy to prevent any
3 improper use of YSP research and information.

4 I. Wrap-Up Questions - Youth Smoking Prevention

5 Q: Has preventing youth smoking become part of the culture of Philip Morris USA?

6 A. Yes it has. The Company's commitment to preventing youth smoking is clearly called
7 out for all employees in our mission statement. That culture is demonstrated by the success of
8 the Youth Smoking Prevention organization in the six and a half years since it was founded. It is
9 demonstrated by the support and involvement of the company's senior management team. And it
10 is also shown by the work that other departments have undertaken to contribute to Philip Morris
11 USA's youth smoking prevention efforts.

12

1 III. CESSATION SUPPORT INITIATIVE

2 Q: Mr. Willard, you mentioned earlier that one of the corporate responsibility
3 initiatives in your department is the Cessation Support Initiative. Can you briefly explain
4 what that is?

5 A. As I mentioned earlier one of the goals of our Mission to achieve alignment with society
6 is to support smokers who have decided to quit. The Cessation Support Initiative is intended to
7 help smokers who want to quit get connected to expert resources and information that will assist
8 them in successfully quitting smoking. It's about helping smokers who want to quit be more
9 successful.

10 Q: What is Philip Morris USA doing to achieve that goal?

11 A. To achieve this goal Philip Morris USA is leading the development of a variety of
12 resources under the name QuitAssist. Smokers, or anyone interested in supporting a smoker who
13 is trying to quit, can access a QuitAssist website through the www.pmus.com website.
14 QuitAssist provides smokers with information and links to resources from the public health
15 community and other experts which can assist them in quitting smoking. This information is
16 offered free of charge in a pamphlet form that can be downloaded or ordered from the QuitAssist
17 portion of the www.pmus.com website or by calling a toll-free number. JD-055074 is a true
18 and correct copy of the QuitAssist Resource Guide, which is published by Philip Morris USA
19 YSP.

20 Q: Are there any other components of the Cessation Support Initiative?

21 A. Yes, in addition to establishing the QuitAssist resource, my department is funding
22 scientific research into more effective cessation approaches. Currently, my department is
23 providing a \$15 million grant, over three years, to Duke University to develop more effective
24 cessation approaches.

1 Q: How is it that a tobacco company has decided to become involved in helping
2 smokers who want to quit smoking?

3 A. We agree that cigarettes are addictive and cause serious diseases like lung cancer. We
4 also know that quitting is the best way to reduce the health effects of smoking. Although we
5 believe that adult smokers should continue to make decisions for themselves about smoking, we
6 believe we have a role to play in helping them quit if that is what they want to do. Just as we are
7 working to develop potentially reduced exposure products and just as we are active in youth
8 smoking prevention, we think it makes sense for Philip Morris USA to support adults who want
9 to stop smoking.

10 Q: What role is Philip Morris USA playing in cessation support?

11 A. What we found when we looked into this issue was that many people want to quit
12 smoking, but are not successful, for a variety of reasons. We also found that there is a plethora
13 of support and information from the public health community to help smokers quit smoking, but
14 that many smokers may not be aware of this support and information, or were not interested in it.
15 Therefore, we saw this as an opportunity to help increase smokers' awareness of quitting
16 materials and information provided by the public health community and others.

17 Q: Has Philip Morris USA addressed the issue of quitting smoking before?

18 A. Yes. Since our www.pmus.com website first went up in 1999, we have had a section on
19 the website that addresses quitting smoking.

20 Q: Sir, I am handing you pages 13-14 of JD-046719. Is this a true and exact copy of the
21 website page for Quitting Smoking as it appeared in 1999?

22 A. Yes.

1 Q: Can you describe for the Court the information Philip Morris USA provided on its
2 website in 1999 regarding quitting smoking?

3 A. Philip Morris USA made it clear on this website that the best thing for smokers to do to
4 reduce the risk of disease was to quit smoking. Philip Morris USA posted the following
5 statement on its website: "to reduce the health risks of smoking, the best thing to do is to quit;
6 public health authorities do not endorse either smoking fewer cigarettes or switching to lower-
7 yielding brands as a satisfactory way of reducing risk."

8 Q: That was in 1999, correct?

9 A. Yes.

10 Q: What else did Philip Morris USA provide on its website?

11 A. Philip Morris USA provided several links to information from public health authorities
12 about the benefits of quitting smoking. For example, we provided links to the websites of the
13 Surgeon General and the National Cancer Institute.

14 Q: Did Philip Morris USA provide any other information?

15 A. We provided a link to the Centers for Disease Control website, as well as a link to
16 Quitnet.org, a source for information about quitting smoking.

17 As you can see on the second page of this section, we wanted to let people know that
18 there were many different resources to assist in the quitting process, and we provided links for
19 people to access additional information.

20 Q: Has the "Quitting Smoking" page of the Philip Morris USA website been updated?

21 A. Yes, in June 2003, we extensively updated the Quitting Smoking section of the website.

22 Q: Sir, I'm handing you pages from JD-053199. Can you tell me what this is?

1 A. This is a true and accurate copy of the updated Philip Morris USA website, Quitting
2 Smoking.

3 Q: Can you explain these updates to the court?

4 A. Yes. What we attempted to do was improve upon the information on the site and the
5 presentation to provide more of a resource finder. We made it easier for website users to get
6 access to cessation information and we provided a local resource finder that would provide local
7 phone numbers and addresses for such things as state quitlines, the National Cancer Institute
8 quitline, the American Lung Association, and so on. The website was also enhanced to include
9 the CDC 5-Keys To Quitting Smoking and the Benefits of Quitting Smoking.

10 Q: How does someone get information about the resources in his or her state?

11 A. On our resources page, you click on "Telephone Quitlines." The first item on this page
12 lets you select a state to access that state's quitline. Once you select a state, the site automatically
13 displays the phone number and information for that state quitline, as well as a link to that state's
14 quitline website.

15 Q: Did Philip Morris USA do anything else in June 2003 with respect to cessation
16 efforts?

17 A. Yes, we developed a pamphlet from information on the website. This brochure is part of
18 our webkit for those without internet access.

19 Q: Sir, I am handing you JD-052866. Is this a true and accurate copy of the pamphlet
20 you are referring to?

21 A. Yes.

22 Q: And what information does the pamphlet contain?

1 A. The pamphlet is essentially the information on our website in paper form. In addition to
2 our statement regarding quitting smoking, it provides the CDC's Five Keys To Quitting
3 Smoking, information and resources from national organizations, such as the U.S. Surgeon
4 General, the American Cancer Society, and other quitting sources, such as Quitnet, as well as
5 local quitting resources.

6 Philip Morris USA provides this pamphlet free of charge to anyone who requests a copy
7 of the webkit or who asks specifically for information on quitting smoking.

8 Q: Did Philip Morris USA do anything else in June 2003 in connection with smoking
9 cessation?

10 A. Yes, since June 2003 we have been airing commercials as part of Philip Morris USA's
11 overall corporate responsibility efforts. These are the commercials we discussed earlier. Some
12 of these commercials discuss the benefits of quitting smoking, and direct people to the
13 pmusa.com website for more information.

14 Q: Sir, what are JD-053157 and JD-055072?

15 A. These CD-Roms contain the corporate responsibility commercials that we discussed
16 earlier. Six of our corporate responsibility commercials specifically reference quitting smoking
17 and direct people to resources available on our website.

18 Q: Do these CD-Roms contain true and accurate presentations of these commercials
19 developed by your department at Philip Morris USA?

20 A. Yes.

21 Q: Sir, JD-052915, 052917, and 052918, JD055073 are storyboards for the commercials
22 called "There is No Safe Cigarette," "Information and Links on Important Tobacco
23 Issues," and "Information on Important Tobacco Issues", and the three variations of these

1 commercials. Do these storyboards contain a true and accurate presentation of the
2 commercials developed by your department at Philip Morris USA?

3 A. Yes

4 Q: Have those commercials run nationwide?

5 A. Yes.

6 Q: Are these commercials only available on television?

7 A. No, website users can also view some of the commercials we have aired since June 2003
8 on our website.

9 Q: Can you explain briefly the information regarding quitting smoking that is
10 contained in these commercials?

11 A. These commercials highlight information and resources available on Philip Morris USA's
12 website on smoking and health issues, including links to public health and other resources that
13 can help smokers quit smoking.

14 Q: How else did Philip Morris USA publicize the availability of quitting information on
15 its website?

16 A. In the first quarter of 2004, we distributed an onsert highlighting our website on over 100
17 million packs of cigarettes. Like the television advertisements I just described, this onsert
18 highlighted information and resources available on www.pmus.com. The onsert specifically
19 showed consumers how to access the website in order to find information and resources such as
20 links on quitting smoking, local quitting resources, and information on the benefits of quitting.

21 Q: Can you explain to the Court what Philip Morris USA did to determine what role it
22 should play in cessation support?

1 A. First, we needed to understand the current cessation support landscape, and then
2 determine what role Philip Morris USA could play within that landscape. We conducted
3 exploratory research up through January 2004.

4 Q: What did your department do during this process?

5 A. We first focused on learning about the existing cessation marketplace, and conducting
6 qualitative research with adult smokers. We also looked to see what external scientific research
7 was being conducted in the area of cessation support. What we saw was that while there is an
8 abundance of support available from many sources for adult smokers who want to quit, there was
9 a real opportunity to improve the reach of these resources, so that more smokers would engage
10 with them. In addition, there were knowledge gaps about the quitting process, quitting
11 expectations and quitting support among the many adult smokers who thought they knew what
12 they needed to about quitting.

13 Q: What did your group do next?

14 A. The next thing we did was to develop some concrete ideas. We wanted to come up with
15 a program strategy and concept that would address the issues we discovered during the first
16 phase of our work. We also tested these concepts with adult smokers to determine whether we
17 were on the right track for developing a role for Philip Morris USA to play in cessation support.
18 For instance, we learned that our concept for a cessation support website and handbook were
19 very positively received and viewed as helpful to individuals who wanted to quit smoking. There
20 was almost universal agreement that the program would be helpful to adult smokers trying to
21 quit, and that Philip Morris USA should undertake this project.

22 Q: When did Philip Morris USA decide to implement the QuitAssist initiative?

1 A. In September 2003, \$17 million was set aside for execution of this project in 2004. We
2 created a small stand-alone cessation support team within my organization to begin working on
3 implementation. We then put together an advisory board of recognized experts to guide the
4 development of materials for this project, and with the assistance of one of these experts, Philip
5 Morris USA developed the QuitAssist guide and website.

6 Q: Why did Philip Morris USA create an Advisory Board for this project?

7 A. Philip Morris USA felt the best approach was to have an Advisory Board of external
8 experts to oversee the project, to make sure the website and guide provided effective support to
9 smokers who have decided to quit smoking.

10 Q: Who are the members of this advisory board?

11 A. The Editor/Writer of our QuitAssist brochure is Dr. Cheryl K. Olson of Harvard Medical
12 School. Other members of the advisory board are G. Alan Marlatt, Ph.D., from the University of
13 Washington, Robert L. Sokolove, Ph.D., from Boston University School of Medicine, Jonathan
14 Bloomberg, M.D., from the University of Illinois College of Medicine, and Jed Rose, Ph.D. from
15 Duke University.

16 Q: Mr. Willard, I am handing you JD-055059. Can you tell the Court what this is?

17 A. Yes, these are the pages from the QuitAssist website.

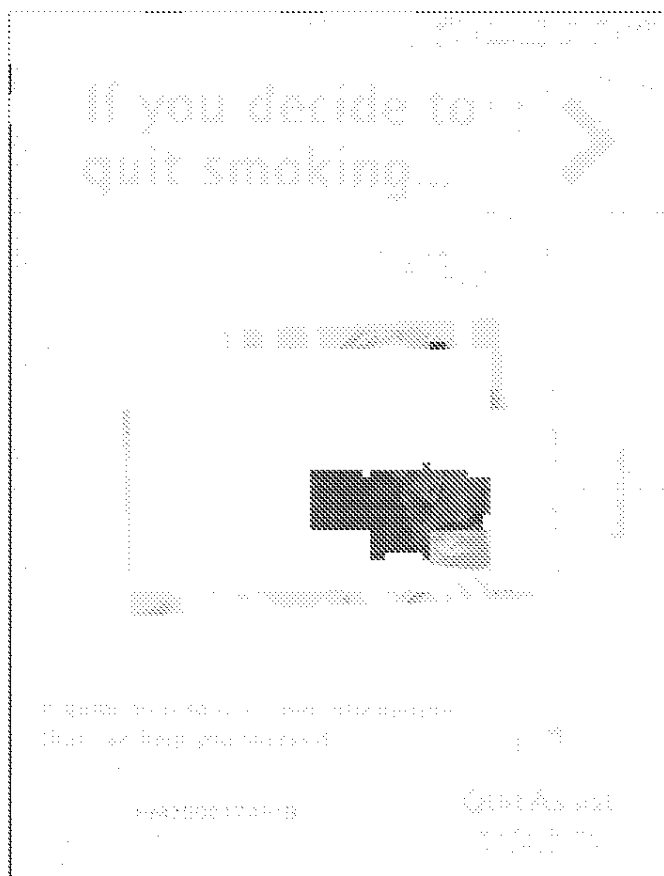
18 Q: Can you describe in more detail Philip Morris USA's QuitAssist resource?

19 A. QuitAssist is an information resource. It is designed to help smokers connect with a wide
20 range of quitting information available from government agencies, universities, and nonprofit
21 organizations. The QuitAssist resource is available online and in the form of a guide. The
22 QuitAssist website is accessible on www.pmus.com. The QuitAssist website and guide provide
23 smokers with information and links to resources from the public health community and other

1 experts which can assist them in quitting smoking. For example, QuitAssist provides
2 testimonials of people who have quit, information for taking steps to quit, and links to helpful
3 quitting websites, guides, telephone quitlines, and quitting programs. All of this information is
4 available on the QuitAssist website, as well as in the QuitAssist resource guide. The resource
5 guide can be gotten either from the QuitAssist website (by downloading it, or ordering it online),
6 or by calling a toll-free telephone number.

7 Q: What exactly is the QuitAssist resource guide?

8 A. The resource guide was developed in collaboration with Editor/Writer Cheryl Olson and
9 the Advisory Board that I mentioned previously, as well as with the support of a team from
10 Young & Rubicam. The guide is entitled "If you decide to quit smoking... A guide to resources
11 and information that can help you succeed." It includes over 47 pages of information that helps
12 smokers connect with the kind of expert quitting information I discussed above.



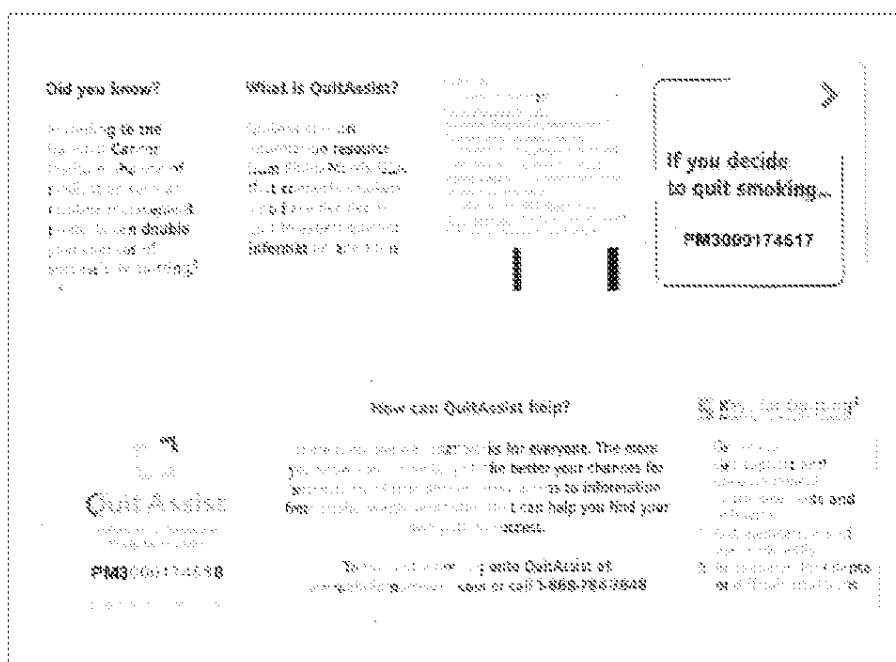
Q: Can you highlight some of the significant elements of the brochure?

A. The guide includes quitting information and resources from public health sources, including programs, telephone quitlines, websites, and guides that can help people find their own paths to success in quitting. For example, it lists the Top 10 reasons to quit smoking, from the National Heart, Lung, and Blood Institute, as well as the 5 Keys for Quitting developed by the U.S. Public Health Service. It also provides links to other quitting resources from organizations such as American Cancer Society, American Heart Association, American Lung Association, the Centers for Disease Control and Prevention, the Center for Tobacco Cessation, the National Cancer Institute, the National Institutes of Health, and the U.S. Department of Health and Human Services.

1 Q: How has Philip Morris USA publicized the QuitAssist website and resource guide?

2 A. Philip Morris USA has publicized QuitAssist in four main ways: (1) onserts that were
3 placed on one week's volume of cigarette packs for Philip Morris USA's major brands; (2) print
4 advertisements in magazines likely to be read by smokers; (3) on-line advertisements; and (4)
5 television advertising.

6 Q: Mr. Willard, I am handing you JD-055075. Is this the onsert you just referred to?



7
8 A. Yes, this onsert was distributed on over 100 million packs of cigarettes in September of
9 2004. As you can see, it specifically discusses the "QuitAssist" website, and directs people to
10 the Philip Morris USA website.

11 Q: Did Philip Morris USA perform any research with respect to the onsert?

12 A. Yes we did. Before we distributed the onsert, we conducted quantitative research
13 showing that 85% of respondents received the message from the onsert regarding the availability

1 of information or resources for quitting smoking. For smokers that were currently trying to quit
2 or intended to quit in the next 12 months, 81% indicated they were “somewhat likely” (53%) or
3 “very likely” (28%) to either call the toll-free number or visit the website. (JD-055090).

4 Q: Do you have any plans to run onserts like this again in the future?

5 A. Yes, we plan on running QuitAssist-related onserts twice this year.

6 Q: You also mentioned television commercials. I am handing you JD-055076. Can you
7 describe for the Court what this is?

8 A. These are two television commercials which we just began airing in March 2005,
9 publicizing the availability of QuitAssist.

10 Q: What is the media plan for these ads being aired?

11 A: These advertisements are airing nationally for approximately four weeks beginning on
12 March 7, 2005, and we expect that they will reach approximately 81% of smokers an average of
13 about 7 times. We also have plans to air two additional television commercials beginning in
14 September 2005 for several weeks, and we expect these ads to have similar reach and frequency
15 with smokers.

16 Q: Can you explain what research you conducted on these ads before they were aired?

17 A: We conducted qualitative and quantitative research on these ads before putting them on
18 the air. For example, we conducted a quantitative study in which current and former smokers
19 were shown one of four proposed advertisements and then asked a series of questions. That
20 quantitative research showed that, ranging across the four advertisements, 69% to 76% of
21 respondents reported as a first mention that the main message of the advertisement they saw was
22 help, resources, and support are available for those who have decided to quit smoking. In
23 addition, ranging across the four advertisements, 70% to 81% of those people who said they

1 definitely intend to quit in the next 30 days indicated that they were likely to go online or call the
2 1-800 number for QuitAssist as a result of seeing the television ad. We defined "likely" in this
3 study as a respondent giving a four or five on a scale of one to five, with five defined as "very
4 likely" and one defined as "not at all likely."

5 Q: Sir, what is JD-055091?

6 A. It is a true and accurate copy of a report of that research, titled QuitAssist TV Ad
7 Research Results, which was prepared and maintained in the ordinary course of Philip Morris
8 USA's business.

9 Q: Mr. Willard, you also mentioned print advertisements. I am handing you JD-
10 055078. Are these the print advertisements you were referring to?

11 A. Yes, we have been placing these print advertisements since September 2004 in magazines
12 such as Sports Illustrated, TV Guide, and Time. The expected reach and frequency of the print
13 and television advertising that is currently in the market is expected to reach 88% of its intended
14 audience an average of 11 times by this spring.

15 We also conducted quantitative testing of four print ads that was similar in format to the
16 testing for the television advertisements I just described, with similar results. For example, in
17 that testing, ranging across the four print advertisements tested, 63% to 72% of those people who
18 said they definitely intend to quit in the next 30 days indicated that they were likely to go online
19 or call the 1-800 number for QuitAssist as a result of seeing the ad. JD-055089 is a true and
20 accurate copy of a report of this research, which was prepared and maintained in the ordinary
21 course of Philip Morris USA's business.

22 Q: You also mentioned the internet. What type of advertising are you doing on the
23 internet?

1 A. We have placed interactive advertisements for QuitAssist on a number of websites,
2 including Yahoo.com, WebMD.com, and AOL.com. Unlike print advertisements, these online
3 ads allow users to roll over the ad to receive additional information and with a click be connected
4 directly to the relevant sections of the QuitAssist resource at www.pmus.com. These are not
5 “pop-up” ads – they are placed on websites through arrangements with those websites in which
6 we pay for the ad space.



7
8 Q: Sir, I am handing you JD-055079. Are these the internet advertisements you were
9 referring to?
10 A. Yes.
11 Q: Using JD-055079 can you describe how a user would interact with one of these
12 internet ads?

1 A. Yes. This is a banner advertisement that is placed on a given website. It is there because
2 we pay the website to place the ad in that location. When you scroll over the various parts of the
3 ad, you see additional information appear in a box over the ad. By clicking on the ad, the user is
4 connected directly to the QuitAssist section of the www.pmus.com website. We conducted
5 qualitative testing of these ads before we placed them, to ensure that the intended message of the
6 ads was being effectively communicated to the intended audience, and it was.

7 Q: What kind of response has Philip Morris USA received from the QuitAssist
8 advertising?

9 A. The response has been great. During the week of March 13, a period during which the
10 QuitAssist television advertising was running, we had about 57,000 visits to the QuitAssist
11 website, and over 24,000 resource guides were either ordered or downloaded from the website.
12 Since the launch of the QuitAssist website in September 2004, we have had over 371,000
13 website visits and distributed over 200,000 guides.

14 Q: What is JD-055093?

15 A. It is a "Cessation Support *QuitAssist* Weekly Order Activity Report for the week of
16 March 14 to March 20, 2005". JD-055092 is a report of the total number of QuitAssist Website
17 Visits from September 12, 2004 to March 26, 2005.

18 Q: Was each of these documents created and maintained in the ordinary course of
19 Philip Morris USA's business.

20 A. Yes they were.

21 Q: When people visit the QuitAssist site are they limited to the materials found on the
22 site?

1 A. No, not at all. Many visitors to the QuitAssist website click through to the many public
2 health websites whose links are included on that site. For example, in the week beginning March
3 13, 2005, more than 56,000 visits to QuitAssist occurred and these visits resulted in 26,000 click-
4 throughs to government and non-government organization websites whose links are on
5 QuitAssist. These include the U.S. Public Health Service's "You Can Quit Smoking: 5 Day
6 Countdown"; the U.S. Surgeon General's "You Can Quit Smoking Consumer Guide"; and the
7 "National Cancer Institute's smokefree.gov - Forever Free" series.

8 Q: You also mentioned that Philip Morris USA was providing funding to Duke
9 University to advance research in the area of cessation science. Can you explain this part
10 of the Cessation Support Initiative?

11 A. Duke University has a program, led by Jed Rose, Ph.D., to pursue more effective
12 cessation approaches. Philip Morris USA is providing funding to Duke to expand this program
13 and to do more work in this area. Our funding is \$15 million over three years.

14 With our funding, Duke University established a new Center for Nicotine and Smoking
15 Cessation Research, which is an expansion and consolidation of the Duke Nicotine Research
16 Program. The center will seek to develop, evaluate and disseminate improved methods to quit
17 smoking. Jed Rose is leading the new center, which also has an independent scientific advisory
18 board consisting of international experts appointed by Duke.

19 Q: Does Philip Morris USA have any control over the Center or the direction of the
20 research?

21 A. No. The researchers at Duke University have sole responsibility for the direction of the
22 research and are free to publish the results of the research without prior review or approval from
23 Philip Morris USA.

1 Q: Mr. Willard, doesn't it seem odd for the largest manufacturer of cigarettes in the
2 U.S. to be helping adult smokers to stop smoking?

3 A. I'm sure that many people are skeptical about Philip Morris USA's involvement in adult
4 cessation support. Some may think it makes no sense for a manufacturer of cigarettes to help
5 smokers who have decided to stop smoking. We believe it does. Smoking is addictive and
6 causes serious diseases, and there is no safe cigarette. As I mentioned earlier, our mission is to
7 be a responsible cigarette manufacturer, and taking steps to help reduce the harm caused by
8 smoking is part of that. One way to accomplish that goal is by supporting smokers who have
9 decided to quit smoking cigarettes. One of our Mission goals is to help connect smokers who
10 have decided to quit with expert quitting information. Over time, we hope people will see that
11 we are dedicated to this initiative and to assisting smokers who want to quit smoking to do so
12 successfully.

13 Q: Thank you Mr. Willard.

14